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## **Generalized System of Preferences: Background and Renewal Debate**

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Vivian C. Jones  
Specialist in International Trade and Finance  
Foreign Affairs, Defense, and Trade Division

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# Generalized System of Preferences: Background and Renewal Debate

## Summary

The Generalized System of Preferences (GSP) provides duty-free tariff treatment to certain products imported from designated developing countries. The United States, the European Union, and other developed countries implemented such programs in the in the 1970s in order to promote economic growth in developing countries by stimulating their exports. The U.S. program (as established by Title V of the Trade Act of 1974) was last reauthorized through December 31, 2006 in section 4101 of the Trade Act of 2002 (P.L. 107-210). Congress may consider legislation (H.R. 6142) under suspension of the rules to, among other things, renew the preference for two years. H.R. 5070 seeks to renew the preference for one year and H.R. 6076 and its companion bill S. 3904 would renew GSP for two years. S. 191 seeks to extend AGOA-type benefits to certain Asian and Pacific least-developed countries, including an extension of GSP for these countries alone.

In previous years that the GSP was set to expire, its subsequent renewal was generally considered non-controversial. Even when the preference was allowed to lapse, as it has at several times in its history, it was widely expected that Congress would retroactively renew the preference, as in the Trade Act of 2002. However, this year, due, in part, to the present impasse in multilateral trade talks in the World Trade Organization Doha Development Agenda (DDA) and congressional concerns regarding the inclusion of certain more advanced developing countries such as India and Brazil in the program — renewal of the preference seems more tenuous.

The Bush Administration favors GSP renewal, but also appears willing to review and modify the program in order to respond to congressional concerns. In early August, the United States Trade Representative (USTR) requested public comments “relating to whether the Administration’s operation of the program should be changed so that benefits are not focused on a few countries.” To that end, the USTR and other administration officials are to review whether to limit, suspend, or withdraw the eligibility of 13 major GSP beneficiaries on the grounds that in 2005 (1) the total value of U.S. imports under GSP for each of these countries exceeded \$100 million or (2) any of the countries is classified by the World Bank as an upper-middle-income economy or accounted for more than 0.25% of total world goods exports. The USTR are to also review all 83 current waivers to automatic competitive need limits triggered by import volumes to see if any of the waivers should be withdrawn.

This report presents, first, a brief history, economic rationale, and legal background leading to the establishment of the Generalized System of Preferences. A brief comparison of GSP programs worldwide, especially as they compare to the U.S. system, is also presented. Second, the U.S. implementation of the GSP is discussed, along with the present debate surrounding its renewal and legislative developments to date. Third, an analysis of the U.S. program’s effectiveness and the positions of various stakeholders are presented. Fourth, possible implications of the expiration of the U.S. program and other possible options for Congress are discussed. This report will be updated as events warrant.

## Contents

History and Rationale of the GSP .....	2
Economic Basis .....	2
International Legal Framework .....	4
Comparison of International GSP Programs .....	7
U.S. Implementation .....	9
Beneficiary Countries .....	9
Reporting Requirements .....	11
Least-Developed Beneficiaries .....	11
Products .....	12
Competitive Need Limits .....	12
Rules of Origin .....	13
Annual Review .....	13
Graduation .....	14
Recent Developments .....	14
Legislation .....	16
Effectiveness of GSP .....	17
Effect on Developing Countries .....	17
Economic Effects on the U.S. Market .....	19
Stakeholders' Concerns .....	20
"Special and Differential Treatment" .....	20
Erosion of Preferential Margins .....	21
Under-Utilization of GSP .....	22
Trade as Foreign Assistance .....	22
Lower Costs of Imports .....	23
Options for Congress .....	24
Allow GSP To Expire .....	24
Renew Existing GSP Program .....	26
Scrap GSP in Favor of Free-Trade Agreements or Regional Trading Arrangements .....	26
Renew GSP Only for Least-Developed Countries .....	27
Renew and Modify GSP .....	27
Restrict Application of Preference .....	27
Expand Application of GSP .....	28
Conclusion .....	29
Appendix .....	30

## List of Figures

Figure 1. U.S. Imports from GSP Countries .....	18
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## List of Tables

Table 1. GSP Product Imports from Leading BDCs, 2005 .....	30
Table 2. Leading GSP Beneficiaries and Total, 2005 .....	31
Table 3. Leading GSP Products in Terms of Value, 2005 .....	32
Table 4. GSP Least-Developed Beneficiary Developing Countries Not Covered by AGOA Preference .....	33
Table 5. GSP Implementation and Extensions, 1975-2002 .....	34
Table 6. Beneficiary Developing Countries and Regions for Purposes of the Generalized System of Preferences .....	35
Table 7. Top Five Imports of Leading GSP Beneficiary Countries .....	37

# Generalized System of Preferences: Background and Renewal Debate

The Generalized System of Preferences (GSP) provides preferential tariff treatment to certain products imported from designated developing countries. The United States, the European Union, and other developed countries implemented such programs in the 1970s in order to promote economic growth in developing countries by stimulating their exports.

The U.S. program (as established by Title V of the Trade Act of 1974) was last reauthorized through December 31, 2006 in section 4101 of the Trade Act of 2002 (P.L. 107-210). The African Growth and Opportunity Acceleration Act of 2004 (P.L. 108-274) additionally authorized GSP preferences for all beneficiary developing sub-Saharan African countries under the African Growth and Opportunity Act (AGOA) through September 30, 2015.<sup>1</sup> Congress may consider legislation before adjournment of the 109<sup>th</sup> Congress to reauthorize the program before it expires.

Title II of H.R. 6142 (Thomas, introduced September 19, 2006) would extend the preference for two years, while limiting the application of waivers of automatic import thresholds for certain countries or products. The bill also seeks to extend for two years a fabric provision in AGOA that allows sub-Saharan beneficiaries to use fabric from third countries in their duty-free exports to the United States, as well as extend similar benefits to Haiti.

Two bills, H.R. 6076 (Rangel, introduced September 15, 2006) and its companion bill S. 3904 (Baucus, introduced on the same day) seek to renew the GSP for two years without additional amendments, as does H.R. 5070 (Rangel, introduced March 30, 2006) which seeks a one-year extension. S. 191 (Smith, introduced January 31, 2005) and its companion bill H.R. 886 (Kolbe, introduced February 17, 2005) seek to extend AGOA-type benefits, including the GSP extension, to certain Asian and Pacific least-developed countries.

This report presents, first, a brief history, economic rationale, and legal framework behind establishment of the Generalized System of Preferences, and a brief comparison of GSP programs worldwide. Second, a description of U.S. implementation of the GSP program is presented, along with recent legislative developments and the debate surrounding its renewal. Third, an analysis of the U.S. program's effectiveness and the positions of various stakeholders are discussed. Fourth, possible implications of GSP expiration and other options for Congress are mentioned.

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<sup>1</sup> 19 U.S.C. 2466b, as amended by section 7 of the AGOA Acceleration Act of 2004 (P.L. 108-274).

## History and Rationale of the GSP

The basic principle behind the GSP is to provide certain goods originating in developing countries with preferential market access (usually in the form of lower tariff rates or duty-free status) to developed country markets in order to spur economic growth. The program was first adopted internationally in 1968 by the United Nations Conference on Trade and Development (UNCTAD) at the UNCTAD II Conference.<sup>2</sup>

### Economic Basis

The GSP was established based on an economic theory that preferential tariff rates in developed country markets could promote export-driven industry growth in developing countries. It was believed that this, in turn, would help to free beneficiaries from heavy dependence on trade in primary products, whose slow long-term growth and price instability contributed to chronic trade deficits.<sup>3</sup> It was thought that only the larger markets of industrialized trading partners were large enough to provide enough economic stimulus to attain these goals.<sup>4</sup>

Some economists also mention that the Generalized System of Preferences was established, in part, as a means of reconciling two widely divergent economic perspectives of trade equity that arose during early negotiations on the General Agreement on Tariffs and Trade (GATT).<sup>5</sup> Industrialized, developed nations argued that the most-favored-nation principle<sup>6</sup> should be the fundamental principle governing multilateral trade, while lesser-developed countries believed that equal treatment of unequal trading partners did not constitute equity and called for “special and differential treatment” for developing countries. GSP schemes thus became one of the means of offering a form of special treatment that developing nations sought

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<sup>2</sup> U.N. Conference on Trade and Development, “About GSP,” at [<http://www.unctad.org>]. In addition to the United States, the European Union and 11 other industrialized countries — Australia, Belarus, Bulgaria, Canada, Japan, New Zealand, Norway, Switzerland, and the Russian Federation — currently have GSP programs.

<sup>3</sup> OECD Secretary-General. *The Generalized System of Preferences: Review of the First Decade*. Organization of Economic Cooperation and Development, 1983, p. 9 (hereinafter OECD GSP Review).

<sup>4</sup> Ibid.

<sup>5</sup> Sapir, A. and L. Lundberg, “The U.S. Generalized System of Preferences and its Impacts,” in R. Baldwin and A. Krueger (eds.) *The Structure and Evolution of Recent U.S. Trade Policy*, Chicago: The University of Chicago Press, 1984.

<sup>6</sup> The most-favored-nation principle means that countries must treat imports from other trading partners on the same basis as that given to the most favored other nation. Therefore, with certain exceptions (including GSP, regional trading arrangements, and free trade agreements), every country gets the lowest tariff that any country gets, and reductions in tariffs to one country are provided also to others. The term “most-favored-nation” has been changed in U.S. law to “normal trade relations.”

while allaying the fears of developed countries that tariff “disarmament” might create serious disruptions in their domestic markets.<sup>7</sup>

Due to differences in developed countries’ economic structures and tariff programs — as well as different domestic industries and products each wanted to shield from such competition — it proved difficult to create one unified system of identical tariff concessions. Therefore, the GSP became a system of individual national schemes based on common goals and principles — each with a view toward providing developing countries with generally equivalent opportunities for export growth.<sup>8</sup> As a result, the preference-granting countries implemented various individual schemes of *temporary, generalized, non-reciprocal, non-discriminatory* preferences under which tariffs were lowered or eliminated on certain imports from developing countries.

As a condition for providing such tariff preferences, GSP preference-granting countries reserved the right to (1) exclude certain countries; (2) determine product coverage; (3) determine rules of origin governing the preference; (4) determine the duration of the scheme; (5) reduce any preferential margins accruing to developing countries by continuing to lower or remove tariffs as a result of multilateral negotiations; (6) prevent the concentration of benefits among a few countries; and (7) include safeguard mechanisms or “escape” clauses.<sup>9</sup>

Although GSP programs were intended to be temporary, an international legal framework under the GATT (as discussed below) was developed to allow these programs to continue. Additionally, many developed countries have also decided to grant additional market access, through GSP or other preferential programs, to products of countries they designate as least-developed countries (LDCs). At the sixth World Trade Organization (WTO) Ministerial Conference in Hong Kong in December 2005, developed country WTO members and “developing country members declaring themselves in a position to do so” agreed to deepen this commitment by providing “duty-free and quota-free market access on a lasting basis, for all products originating from all least developed countries by 2008 or no later than the start of the implementation period in a manner that ensures stability, security and predictability.”<sup>10</sup> Members “facing difficulties” with providing such access would be permitted to exempt 3 percent of all tariff lines, provided they take steps to achieve the goal of total duty- and quota-free access by incrementally building on the list of covered products.<sup>11</sup> Since DDA talks have been suspended, this duty-free/quota-free offer is in jeopardy.

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<sup>7</sup> OECD GSP Review, p. 11.

<sup>8</sup> *Ibid.*, p. 10.

<sup>9</sup> Wall, David. “Problems with Preferences.” *International Affairs*, vol. 47, October 1971, p. 95.

<sup>10</sup> World Trade Organization. Ministerial Declaration, Annex F. December 18, 2005, WT/MIN(05)/DEC.

<sup>11</sup> *Ibid.*



## International Legal Framework<sup>12</sup>

Because it is a preference program, by its very nature, the GSP posed a problem under the GATT in that the granting of preferences would be facially inconsistent with the fundamental obligation placed on GATT Parties in GATT Article I:1 to grant most-favored-nation (MFN) tariff treatment to the products of all other GATT Parties. As noted, however, preference programs were viewed as vehicles of trade liberalization and economic development for developing countries. Thus, GATT Parties accommodated them in a series of joint actions.

In 1965, the GATT Parties added Part IV to the General Agreement, an amendment that recognizes the special economic needs of developing countries and asserts the principle of non-reciprocity. Under this principle, developed countries forego the receipt of reciprocal benefits for their negotiated commitments to reduce or eliminate tariffs and restrictions on the trade of less developed contracting parties.<sup>13</sup> Because of the underlying MFN issue, GATT Parties in 1971 adopted a waiver of Article I for GSP programs, which allowed developed contracting parties to accord more favorable tariff treatment to the products of developing countries for ten years.<sup>14</sup> The GSP was described in the decision as a “system of generalized, non-reciprocal and non-discriminatory preferences beneficial to the developing countries.”

At the end of the Tokyo Round of Multilateral Trade Negotiations in 1979, developing countries secured adoption of the Enabling Clause, a permanent deviation from MFN by joint decision of the GATT Contracting Parties.<sup>15</sup> The Clause states that notwithstanding GATT Article I, “contracting parties may accord differential and more favourable treatment to developing countries, without according such treatment to other contracting parties” (¶1) and applies this exception to:

- (a) Preferential tariff treatment accorded by developed contracting parties to products originating in developing countries in accordance with the Generalized System of Preferences;

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<sup>12</sup> This section was written by Jeanne Grimmer, Legislative Attorney, American Law Division. For further discussion of trade preference programs in light of obligations under the General Agreement on Tariffs and Trade (GATT), see CRS Report RS22183, *Trade Preferences for Developing Countries and the WTO*, by Jeanne J. Grimmer [hereinafter CRS Report RS22183].

<sup>13</sup> Edmond McGovern, International Trade Regulation ¶ 9.212 (updated 1999)[hereinafter McGovern]. Part IV is generally viewed as non-binding, though some have argued otherwise with regard to certain of its provisions. *Id.*; John H. Jackson, William J. Davey & Alan O. Sykes, Jr., *Legal Problems of International Economic Relations* 1171 (4<sup>th</sup> ed. 2002).

<sup>14</sup> GATT, Generalized System of Preferences; Decision of 25 June 1971, L/3545 (June 28, 1971), available at [[http://www.wto.org/gatt\\_docs/English/SULPDF/90840258.pdf](http://www.wto.org/gatt_docs/English/SULPDF/90840258.pdf)].

<sup>15</sup> GATT, Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries; Decision of 28 November 1979, L/4903 (Dec. 3, 1979)(footnotes omitted), available at [[http://www.wto.org/gatt\\_docs/English/SULPDF/90970166.pdf](http://www.wto.org/gatt_docs/English/SULPDF/90970166.pdf)] [hereinafter Enabling Clause].

(b) Differential and more favorable treatment with respect to the provisions of the General Agreement concerning non-tariff measures governed by the provisions of instruments multilaterally negotiated under the auspices of the GATT;

(c) Regional or global arrangements entered into amongst less-developed contracting parties for the mutual reductions or elimination of tariffs and, in accordance with criteria or conditions which may be prescribed by the CONTRACTING PARTIES for the mutual reduction or elimination of non-tariff measures, on products imported from one another;

(d) Special treatment on the least developed among the developing countries in the context of any general or specific measures in favour of developing countries (¶ 2).

To describe the GSP, the Clause refers to the above-quoted description in the 1971 waiver, i.e., a “system of generalized, non-reciprocal and non-discriminatory preferences beneficial to the developing countries.”<sup>16</sup> Among other things, the Clause further provides, at ¶ 3(c), that any differential and more favorable treatment provided under the Clause “shall in the case of such treatment accorded by developed contracting parties to developing countries be designed and, if necessary, modified, to respond positively to the development, financial and trade needs of developing countries.”

In addition, if a GATT Party (now WTO Member) who has instituted a GSP program subsequently takes action “to introduce modification or withdrawal of the differential treatment so provided,” the Member is required to notify and consult with other WTO Members. Specifically, ¶ 4(a) requires the acting Member to notify WTO Members as a whole and to “furnish them with all the information they may deem appropriate relating to such action.” Further, under ¶ 4(b), the Member must “afford adequate opportunity for prompt consultations at the request of any interested contracting party with respect to any difficulty or matter that may arise.” If requested by any such interested party, WTO Members must as a whole consult with all WTO Members concerned over the issue at hand with the aim of reaching a solution that is satisfactory to all such Members. This requirement does not affect any Member’s rights under the GATT.<sup>17</sup>

Paragraph 7 of the Clause provides that the less-developed WTO Members “expect that their capacity to make contributions or negotiated concessions or take other mutually agreed action under the provisions and procedures of the General Agreement would improve with their progressive development of their economies and improvement in their trade situation and they would accordingly expect to participate more fully in the framework of rights and obligations under the General Agreement.” This paragraph is generally considered to support the “graduation” of a beneficiary country out of a grantor’s GSP program by the grantor, either entirely or with respect to particular products, once the beneficiary country has attained a

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<sup>16</sup> *Id.* at ¶ 2, note 3.

<sup>17</sup> *Id.* at ¶ 4, note 1.

certain level of economic development.<sup>18</sup> The Enabling Clause does not contain express criteria or procedures for graduation, however, leaving grantor countries to establish criteria on a unilateral basis.

The Enabling Clause also states that it “would remain open for the CONTRACTING PARTIES to consider on an ad hoc basis under the GATT provisions for joint action any proposals for differential and more favourable treatment not falling within the scope of this paragraph,” that is, a program that does not fit within one of the four categories described above.<sup>19</sup> This provision suggests the use of GATT waivers for more ambitious programs; in practice, waivers have been adopted for a variety of such programs, including several U.S. non-GSP tariff preferences.<sup>20</sup>

The Enabling Clause was incorporated into the GATT 1994 upon the entry into force of the Uruguay Round agreements on January 1, 1995.<sup>21</sup> In 1999, the WTO General Council adopted a decision, captioned “Preferential Tariff Treatment for Least-Developed Countries,” which waived GATT Article I:1 until June 30, 2009, “to the extent necessary to allow developing country Members to provide preferential tariff treatment to products of least-developed countries, designated as such by the United Nations, without being required to extend the same tariff rates to like products of any other Member.”<sup>22</sup> Along with setting out various standards and notification

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<sup>18</sup> Note also ¶ 4 of the Enabling Clause requiring grantors to notify GATT parties in the event of modification or withdrawal of GSP benefits. *See generally* Simon Lester, *The Asian Newly Industrialized Countries to Graduate from Europe’s GSP Tariffs*, 36 Harv. Int’l L. J. 220 (1995); Gregory O. Lunt, *Graduation and the GATT: The Problem of the NICs*, 31 Colum. J. Transnat’l L. 611 (1994); Robert E. Hudec, *GATT and the Developing Countries*, 1992 Colum. Bus. L. Rev. 67.

<sup>19</sup> Enabling Clause, *supra* note 15, at ¶ 2, note 2.

<sup>20</sup> CRS Report RS22183, *supra* note 12, at 3-4. The United States has pending waiver requests for the Caribbean Basin Economic Recovery Act, as amended by the United States-Caribbean Trade Partnership Act (through September 30, 2008), the Andean Trade Preference Act, as amended by the Andean Trade Promotion and Drug Eradication Act (through December 31, 2006), and the African Growth and Opportunity Act (through September 30, 2015). Some WTO Members, e.g., China and Pakistan, have expressed concerns regarding U.S. treatment of textiles in these programs, while Paraguay has objected to the U.S. request in part because of its exclusion from the Andean preference scheme. *See Goods Council approves waiver for EC’s trade preference scheme for the Western Balkans*, WTO News Item, July 18, 2006, at [http://www.wto.org/english/news\_e/news06\_e/gc\_july06\_e.htm]; *Minutes of the Meeting of the Council for Trade in Goods*, May 9, 2006, at 3-11, G/C/M/84 (June 29, 2006); *Minutes of the Meeting of the Council for Trade in Goods*, March 10, 2006, at 3-13, G/C/M/83 (May 1, 2006).

<sup>21</sup> Agreement Establishing the World Trade Organization, Annex 1A, General Agreement on Tariffs and Trade 1994, ¶ 1(b)(iv); *see* Appellate Body Report, *European Communities — Conditions for the Granting of Tariff Preferences to Developing Countries*, ¶ 90.3, WT/DS246/AB/R (Apr. 7, 2004)[hereinafter *EC Preferences Appellate Body Report*].

<sup>22</sup> Preferential Tariff Treatment for Least-Developed Countries; Decision on Waiver, WT/L/304 (June 17, 1999)(*adopted* June 15, 1999), at [http://docsonline.wto.org/DDFDocuments/t/WT/L/304.DOC][hereinafter 1999 LDC Waiver]; *see also* discussion in WTO Committee on Trade and Development, *Note on the Meeting of 2 March 1999*, at 2-6,

(continued...)

and procedural requirements, the waiver also provides that it “does not affect in any way and is without prejudice to rights of Members in their actions pursuant to” the Enabling Clause.”<sup>23</sup>

In addition, in a WTO dispute proceeding brought by India challenging special GSP benefits maintained by the European Communities (EC), *European Communities — Conditions for the Granting of Tariff Preferences to Developing Countries* (WT/DS246), the WTO Appellate Body addressed the issue of the extent to which a granting country may accord such benefits within a GSP program to countries meeting a separate set of criteria. The dispute stemmed from an EC Regulation which awarded tariff preferences to a closed group of 12 beneficiary countries on the condition that they combat illicit drug production (Drug Arrangements). India claimed that the Drug Arrangements were inconsistent with GATT Article I:1 and could not be justified by the Enabling Clause. In its 2004 report, the Appellate Body ruled that developed countries may grant preferences beyond those provided in their GSP to countries with particular needs, but only if identical treatment is available to all similarly situated GSP beneficiaries.<sup>24</sup> Among other things, the Appellate Body cited ¶ 3(c) of the Enabling Clause, providing that any differential and more favorable treatment provided under the Clause “shall ... be designed and, if necessary modified to respond positively to the development, financial and trade needs of developing countries.”<sup>25</sup>

## Comparison of International GSP Programs

One economist has referred to the Generalized System of Preferences as a non-homogeneous set of national schemes sharing certain common characteristics.<sup>26</sup> Generally, each preference-granting country extends to qualifying beneficiary developing countries (as determined by each benefactor) an exemption from duties (either reduced tariffs or duty-free access) on most manufactured products and certain “non-sensitive” agricultural products, although product coverage and preferential treatment vary widely.<sup>27</sup>

Although most GSP schemes (including the U.S. program) admit eligible products duty-free, some countries provide tariff reductions, rather than complete exemption from duties.<sup>28</sup> The Australian system, for example, is based on a five

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<sup>22</sup> (...continued)

WT/COMTD/M/24 (Apr. 27, 1999).

<sup>23</sup> 1999 LDC Waiver, *supra* note 22, at ¶ 6.

<sup>24</sup> *EC Preferences Appellate Body Report*, *supra* note 21. For further discussion of the Appellate Body report, see CRS Report RS22183, *supra* note 12, at 4-6.

<sup>25</sup> *EC Preferences Appellate Body Report*, *supra* note 21, at ¶¶ 162-165.

<sup>26</sup> Sanchez Arnau, Juan C. *The Generalized System of Preferences and the World Trade Organization*. London: Cameron May, Ltd., 2002, p. 187.

<sup>27</sup> *Ibid.*

<sup>28</sup> World Trade Organization. Committee on Trade and Development. The Generalized (continued...)

percentage point margin of preference. When the Australian General Tariff (GT) is 5 percent or higher, the amount of the tariff is reduced by 5 percent for products of beneficiary countries. When the GT rate is 5 percent or less, the preferential rate is zero.<sup>29</sup>

In the WTO, developing country status is generally based on self-determination. However, with regard to GSP, each preference-granting country establishes particular criteria and conditions for defining and identifying developing country beneficiaries. Consequently, the list of beneficiaries and exceptions may vary greatly between countries. If political changes have taken place in a beneficiary country, the country might be excluded from GSP programs in some countries (such as the United States) but not in others. Most countries exclude countries if they have entered into another kind of commercial arrangement (e.g. a free trade agreement) with any other GSP-granting developed country.

In terms of additional GSP product coverage for LDCs, the European Community program, which offers duty-free access or reduced tariffs for “everything but arms,”<sup>30</sup> is currently perhaps the most inclusive. GSP-granting countries may also have incentive-based programs that provide enhanced benefits for beneficiary countries that meet certain additional criteria. For example, the European Community recently implemented a preference that grants additional GSP benefits to those countries that have demonstrated their commitment to sustainable development and internationally recognized worker rights.<sup>31</sup>

Each preference-granting nation also has safeguards in place to ensure that any significant increases in imports of a certain product do not adversely affect the receiving country’s domestic market. Generally, these restrictions take the form of quantitative limits on goods entering under GSP. Under Japan’s system, for example, imports of certain products under the preference are limited by quantity or value (whichever is applicable) on a first-come, first-served basis as administered on a monthly (or daily, as indicated) basis. For other products, import ceilings and maximum country amounts are set by prior allotment.<sup>32</sup>

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<sup>28</sup> (...continued)

System of Preferences: A Preliminary Analysis of the GSP Schemes in the Quad. WTO Document WT/COMTD/W/93, October 5, 2001.

<sup>29</sup> United Nations Conference on Trade and Development. Generalized System of Preferences on the Scheme of Australia. UNCTAD Technical Cooperation Project on Market Access, Trade Laws and Preferences, June 2000 (INT/97/A06), p. 5. [[http://www.unctad.org/en/docs/itcdtsbmisc56\\_en.pdf](http://www.unctad.org/en/docs/itcdtsbmisc56_en.pdf)].

<sup>30</sup> European Communities. See Council Regulation (EC) N° 980/2005 of 27 June 2005 applying a scheme of generalized tariff preferences (published in Official Journal of the European Communities (OJ) L 169, 30.6.2005, p. 1.

<sup>31</sup> Ibid.

<sup>32</sup> World Trade Organization. Committee on Trade and Development. *Notification by Japan* June 21, 2000, WT/COMTD/N/2/Add.9.

Each GSP benefactor also has criteria for graduation — the point at which beneficiaries no longer qualify for benefits because they have reached a certain level of development. Most preference-granting countries require mandatory graduation based on a certain level of income per capita based on World Bank calculations. Some programs also “graduate” certain GSP recipients with respect to individual products or sectors of the economy.

## U.S. Implementation

Congress authorized the U.S. Generalized System of Preferences scheme in Title V of the Trade Act of 1974 (P.L. 93-618), as amended.<sup>33</sup> It authorizes the President to grant duty-free treatment under the GSP for any eligible product from any beneficiary developing country (BDC) or least-developed beneficiary developing country, provides the President with economic criteria in deciding whether to take any such action,<sup>34</sup> and also specifies certain criteria for designating eligible countries and products.

Based on the statutory requirements which countries must meet — and continue to practice — while participating in the program, the U.S. GSP program might be characterized as a foreign policy tool as well as an international trade device. Although GSP benefits are non-reciprocal, certain criteria speak to important U.S. commercial interests, such as ensuring “equitable and reasonable” access in the beneficiaries’ market to U.S. products, protecting intellectual property rights, and preventing the seizure of property belonging to U.S. citizens or businesses. In addition, since certain “import sensitive” products are excluded from eligibility and quantitative/value limitations apply to any eligible imports, the economic costs of the preference are quite small.

## Beneficiary Countries

When designating beneficiary developing countries, the President is directed to take into account certain mandatory and discretionary criteria. The law prohibits (with certain exceptions) the President from extending GSP treatment to certain countries, as follows:

- other industrial countries;
- Communist countries, unless they are a WTO member, a member of the International Monetary Fund and receive Normal Trade Relations (NTR) treatment;

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<sup>33</sup> Trade Act of 1974, P.L. 93-618, Title V, as amended, 19 U.S.C. 2461-2467. The GSP Program was reauthorized and amended by the Trade and Tariff Act of 1984 (P.L. 98-573), and again by Subtitle J (the GSP Renewal Act of 1996) of Public Law 104-188. Six laws have authorized GSP with relatively minor modifications, most recently through December 31, 2006 (PL. 107-210). See *Table 4, GSP Implementation and Extension, 1975 - 2002*.

<sup>34</sup> 19 U.S.C. 2461.

- countries that collude with other countries to withhold supplies or resources from international trade or raise the price of goods in a way that could cause serious disruption to the world economy;
- countries that provide preferential treatment to the products of another developed country in a manner likely to have an adverse impact on U.S. commerce;
- countries that nationalize or expropriate the property of U.S. citizens, or otherwise infringe on U.S. citizens' property rights (including failure to recognize or enforce arbitral awards in favor of U.S. citizens or corporations);
- countries that grant sanctuary from prosecution to any individual or group that has committed an act of international terrorism, or has not taken steps to support U.S. efforts against terrorism;

Mandatory criteria also require that beneficiary countries:

- have taken or be taking steps to grant internationally recognized worker rights (including collective bargaining, freedom from compulsory labor), minimum age for employment of children, and acceptable working conditions with respect to minimum wages, hours of work, occupational safety and health); and
- implement any commitments they make to eliminate the worst forms of child labor.<sup>35</sup>

The President is also directed to consider certain discretionary criteria, such as the following:

- the country's desire to be designated a beneficiary developing country for purposes of the U.S. program;
- the level of economic development of the country;
- whether or not other developed countries are extending similar preferential tariff treatment;
- its commitment to a liberal trade policy;
- the extent to which it provides adequate protection of intellectual property rights;

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<sup>35</sup> 19 U.S.C. 2462(b). The most recent amendments required the support of U.S. efforts against terrorism and expanded the definition of internationally recognized worker rights (sec. 4102 of P.L. 107-210). See also United States Trade Representative. *U.S. Generalized System of Preferences Guidebook*, January 2006, p. 19. (Hereinafter, USTR Guidebook.)

- the extent to which it has taken action to reduce trade-distorting investment policies and practices; and
- whether or not it has taken steps to grant internationally recognized worker rights.<sup>36</sup>

The law authorizes the President, based on the required and discretionary factors mentioned above, to withdraw, suspend or limit GSP treatment for any beneficiary developing country at any time.<sup>37</sup>

**Reporting Requirements.** The President must advise Congress of any changes in beneficiary developing country status, as necessary.<sup>38</sup> The President must also submit an annual report to Congress on the status of internationally recognized worker rights within each BDC, including findings of the Secretary of Labor with respect to the beneficiary country's implementation of its international commitments to eliminate the worst forms of child labor.<sup>39</sup>

**Least-Developed Beneficiaries.** The President is also authorized by statute to designate any BDC as a least-developed beneficiary, based on an assessment of the conditions and factors previously mentioned.<sup>40</sup> Therefore, although factors such as per capita income level, economic stability, and quality of life indicators (on which the United Nations-designated list of LDCs is based) are taken into account,<sup>41</sup> the U.S. administration also assesses the level of compliance with other GSP statutory requirements and comments from the public before identifying a country as "least-developed" for purposes of the GSP.<sup>42</sup>

As requested by the WTO, the Bush Administration has formally notified its trading partners of all the domestic legislative and regulatory steps necessary in order to comply with the duty-free/quota-free access (DFQF) provision agreed to at the Hong Kong Ministerial. However, the United States also advised other WTO members that implementation of the initiative is contingent on successful completion of negotiations in the Doha Development Agenda.<sup>43</sup>

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<sup>36</sup> 19 U.S.C. 2462(c). Ibid., p. 20.

<sup>37</sup> 19 U.S.C. 2462(d).

<sup>38</sup> 19 U.S.C. 2462(d)(3).

<sup>39</sup> 19 U.S.C. 2464.

<sup>40</sup> 19 U.S.C. 2462(a)(2).

<sup>41</sup> 19 U.S.C. 2462(c)(2).

<sup>42</sup> See 71 F.R. 43543.

<sup>43</sup> World Trade Organization. Committee on Trade and Development. "Duty-Free, Quota-Free Access for Least-Developed Countries." Communication from the United States, May 16, 2006. WT/COMTD/W/149.



## Products

The Trade Act of 1974 restricts the President’s discretion in designating eligible products. Certain “import sensitive” articles, including textiles and apparel; certain watches; footwear and other accessories; certain electronics, steel, and glass products; and certain agricultural products subject to tariff-rate quotas, are automatically excluded from GSP treatment.<sup>44</sup> The lists of eligible products and beneficiary developing countries are reviewed and revised annually by the GSP Subcommittee.<sup>45</sup> Any modifications usually take effect on July 1 of the following calendar year.<sup>46</sup>

In terms of product coverage, more than 3,400 products are currently eligible for duty-free treatment, and 1,400 additional articles from least-developed BDCs may receive similar treatment.<sup>47</sup> Leading imports in 2005 (see *Table 1*) included petroleum products, especially crude oil (\$5.7 billion); jewelry and jewelry parts (\$3.4 billion); automobile and other passenger vehicle parts (\$1.43 billion); ferrous alloys (\$669.0 million); and rubber tires (\$629.3 million).

**Competitive Need Limits.** The law establishes “competitive need limits” (CNL) which require the President to automatically suspend GSP treatment if imports of a product from a single country reach a specified threshold value (\$120 million in 2005), or if 50% or more of total U.S. imports of a product come from a single country.<sup>48</sup>

The President may grant a CNL waiver for a product imported from a BDC. In deciding whether to grant a waiver, the President must (1) receive advice from the International Trade Commission as to whether a U.S. domestic industry could be adversely affected by the waiver, and (2) determine that the waiver is in the U.S. economic interest, and (3) publish the determination in the Federal Register.<sup>49</sup> The President is also required to give “great weight” to the extent to which the BDC opens its markets and resources the United States, provides internationally recognized worker rights, and protects intellectual property rights.<sup>50</sup>

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<sup>44</sup> 19 U.S.C. 2463(b).

<sup>45</sup> The GSP subcommittee is a sub-group of the Trade Policy Staff Committee, given jurisdiction over designating beneficiary countries and covered products in the GSP program in Executive Order 11846, 40 F.R. 14291, as amended.

<sup>46</sup> USTR Guidebook, p. 8.

<sup>47</sup> USTR Guidebook, p. 6.

<sup>48</sup> 19 U.S.C. 2463(c)(2)(A). USTR Guidebook, p. 10.

<sup>49</sup> 19 U.S.C. 2463(d).

<sup>50</sup> 19 U.S.C. 2463(d)(2).

All competitive need limitations are automatically waived for least-developed and sub-Saharan African beneficiaries.<sup>51</sup> A waiver may also be provided (in some cases automatically) if total U.S. imports of a product from all countries is small or “*de minimis*” (\$17.5 million in 2005),<sup>52</sup> or if the GSP-eligible article was not produced in the United States on January 1, 1995.<sup>53</sup>

**Rules of Origin.** Eligible goods must also meet certain domestic content or “rules of origin” requirements in order to qualify for GSP status. According to the statute, duty-free entry is only allowed if the article is imported directly from the beneficiary country into the United States. In addition, at least 35% of the appraised value of an eligible product must be the “growth, product or manufacture” of a beneficiary developing country, as defined by the sum of (1) the cost or value of materials produced in the beneficiary developing country (or any two or more beneficiary countries that are members of the same association or countries and are treated as one country for purposes of the U.S. law) plus (2) the direct costs of processing in the country.<sup>54</sup> Any inputs from third countries must be “substantially transformed” into new and different constituent materials if they are to be considered part of the 35 percent domestic content rule.<sup>55</sup>

## Annual Review

The U.S. GSP program is subject to annual review by a subcommittee of the Trade Policy Staff Committee (TPSC), a body chaired by the Office of the U.S. Trade Representative (USTR), and including representatives from the Departments of Agriculture, Commerce, Interior, Labor, State, and the Treasury.<sup>56</sup> The GSP subcommittee considers and makes recommendations to the President concerning the eligibility of countries to receive, or continue to receive, benefits; resolves questions regarding BDC’s observance of country practices (such as worker rights, or protection of intellectual property rights); investigates petitions to add or remove items from the list of eligible products; and considers which products should be removed on the basis that they are “sufficiently competitive” or “import sensitive.” In preparation for the annual review, the USTR may also seek an investigation by the International Trade Commission (ITC) for the purpose of providing advice

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<sup>51</sup> 19 U.S.C. 2462(c)(2)(D). USTR Guidebook, p. 11.

<sup>52</sup> 19 U.S.C. 2463(c)(2)(F).

<sup>53</sup> 19 U.S.C. 2463(c)(2)(E).

<sup>54</sup> 19 U.S.C. 2463(a).

<sup>55</sup> 19 U.S.C. 2463(a)(2) and (3).

<sup>56</sup> Regulations for implementation of the GSP program were issued by the Office of the United States Trade Representatives at 15 C.F.R. Part 2007. Provisions for the GSP Annual Review are set out at 15 C.F.R. § 2007.2(c)-(h). Results of the most recent (2005) annual review of products entering under GSP were announced on July 5, 2006 (71 F.R. 38190). Results of the 2005 annual review are available on the USTR home page at [[http://www.ustr.gov/Trade\\_Development/Preference\\_Programs/GSP/Section\\_Index.html](http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html)].

concerning any possible modifications to the GSP.<sup>57</sup> The TPSC initiated the 2006 Annual Review on October 6, 2005, and announced a second phase on August 8, 2006.<sup>58</sup>

## Graduation

The President may remove a beneficiary developing country from GSP eligibility because the country is determined to be sufficiently competitive or developed that it no longer requires GSP benefits. The President may graduate a BDC completely, or may do so with respect to the country's individual products or industries. Mandatory country graduation occurs when (1) the BDC is determined to be a "high income country" ("as defined by official International Bank for Reconstruction and Development statistics), or (2) as a result of a review of the BDC's advances in economic development and trade competitiveness.<sup>59</sup> The last beneficiaries to graduate from the GSP program were Antigua Barbuda, Bahrain, and Barbados, which the President determined to be "high income countries" in Presidential Proclamation 7758 of March 1, 2004.<sup>60</sup>

## Recent Developments

In previous years that the GSP was set to expire, its subsequent renewal was generally considered non-controversial. Even when the preference was allowed to lapse, it was widely expected that Congress would retroactively renew the preference as it did in the Trade Act of 2002.<sup>61</sup> This year, however, renewal of the program has been a matter of some debate and speculation.

As early as January 2006, Senate Finance Committee Chairman Chuck Grassley commented that renewal of GSP was "not a foregone conclusion" and that its extension was likely to be tied to the United States receiving certain reciprocal benefits as part of a successful conclusion of the Doha Round of trade talks.<sup>62</sup> In his opening statement at the hearing for USTR nominee Susan Schwab in May 2006, Senator Grassley repeated these concerns, mentioning especially India and Brazil, two major beneficiaries of the GSP that he perceived as "two of the countries most responsible for holding up the Doha negotiations."<sup>63</sup> On that basis, he warned that

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<sup>57</sup> 19 U.S.C. 1332(g), 19 U.S.C. 2463

<sup>58</sup> 70 F.R. 58502 and 71 F.R. 45079, respectively.

<sup>59</sup> 19 U.S.C. 2462(e).

<sup>60</sup> 69 F.R. 10131. The proclamation made graduation effective as of January 1, 2006.

<sup>61</sup> In each instance since 1993 (the last that the program has expired, it has been allowed to lapse and has been extended retroactively from the expiration date to the date of enactment. P.L. 107-210 applied the preference to any goods entering between September 30, 2001 and August 6, 2002. See *Table 4. GSP Implementation and Extension, 1975 - 2002*.

<sup>62</sup> "Sen. Grassley Warns of Expiration of Unilateral Trade Preference Programs," *International Trade Daily*, January 26, 2006.

<sup>63</sup> Senate. Committee on Finance. Hearing on the Nomination of Susan C. Schwab to be (continued...)

he might oppose GSP renewal as a result of their obstruction, or make sure that eligibility requirements are tightened so that more advanced developing countries, such as India and Brazil, are removed from the program.<sup>64</sup> Senate Finance Committee staff have mentioned that the chairman might be in favor of renewing the program for least-developed beneficiaries, however.<sup>65</sup> On September 19, 2006, Senate Agriculture Committee Chairman Saxby Chambliss also called for USTR Schwab to consider revising the GSP program to exclude advanced developing countries such as Brazil and India.<sup>66</sup>

House Ways and Means Committee Chairman Bill Thomas has introduced a bill (H.R. 6142) seeking to renew the GSP program for two years. The bill also seeks amend the GSP statute by limiting the application of CNL waivers as of January 1, 2007 by prohibiting the President from exercising waiver authority for any eligible product from a BDC if the administration determines that its aggregated appraised value exceeded \$1.5 billion during any calendar year. Any product from any BDC whose per capita gross national income exceeded \$3,400 in the preceding calendar year would also be automatically denied a CNL waiver. Ways and Means Committee staff indicate that his concern regarding GSP renewal is based on ensuring that (1) all BDCs are given an equitable portion of trade preferences accruing from the United States and (2) BDCs share similar goals with regard to trade liberalization.<sup>67</sup>

Some others in Congress, including House Ways and Means Ranking Member Charles Rangel and Senate Finance Committee Ranking Member Max Baucus are said to favor a short-term extension of the GSP and other preferential programs while Congress continues to deliberate and hold hearings on possible amendments to these programs.

USTR Schwab has publicly called for GSP renewal, but has also signaled that the Bush Administration may be willing to make modifications to the program. In early August, the USTR requested public comments “relating to whether the Administration’s operation of the program should be changed so that benefits are not focused on a few countries and that developing countries that have not been major traders under the program receive benefits.”<sup>68</sup> To that end, the TPSC is to review whether to limit, suspend, or withdraw the eligibility of some major beneficiaries, including Argentina, Brazil, Croatia, India, Indonesia, Kazakhstan, Philippines, Romania, Russia, South Africa, Thailand, Turkey, and Venezuela on the grounds that

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<sup>63</sup> (...continued)

United States Trade Representative. Opening Statement of Senator Chuck Grassley. May 16, 2006.

<sup>64</sup> Ibid.

<sup>65</sup> Conversation with Senate Finance staff, April 26, 2006.

<sup>66</sup> Senate. Committee on Agriculture. Letter from Chairman Saxby Chambliss to U.S. Trade Representative Susan Schwab, September 19, 2006.

<sup>67</sup> Comments at meeting of International Section of the District of Columbia Bar Association, September 21, 2006.

<sup>68</sup> 71 F.R. 45079.

in 2005 (1) the total value of U.S. imports under GSP for each of these countries exceeded \$100 million or (2) is classified by the World Bank as an upper-middle-income economy or accounted for more than 0.25% of world goods exports.<sup>69</sup> The committee is to also review all 83 existing competitive need limitation waivers to see if any of them should be withdrawn due to changed circumstances.<sup>70</sup>

According to the law, the President has the authority to revise country eligibility criteria and allowable tariff lines (except for statutorily excluded products) without congressional action. The administration has stated that its favored approach would be to graduate individual industry sectors within countries (as opposed to entire countries) from receiving GSP benefits.<sup>71</sup> However, when announcing the second phase of the review in early August 2006, USTR Schwab's remarks clearly indicated that the administration was, at least partially, responding to congressional pressure by stating "one of the concerns that Congress has raised is that GSP benefits go largely to a few countries, while many developing countries are not trading much under the program. We want to ensure that we are operating the program as Congress intended."<sup>72</sup> Some industry officials reportedly see this review as the USTR's way of "controlling the situation" by showing Congress that it already has the ability to make radical changes to the program, thus attempting to forestall additional reform legislation.<sup>73</sup>

## Legislation

H.R. 6142, Title II (Thomas, introduced September 20, 2006), seeks to renew the GSP program for two years. The bill would also prohibit the application of CNL waivers as of January 1, 2007 for certain products and countries. The bill also seeks to extend for two years a fabric provision in AGOA that allows sub-Saharan beneficiaries to use fabric from third countries in their duty-free exports to the United States, as well as extend similar benefits to Haiti.

H.R. 6076 (Rangel, introduced September 15, 2006), the Emergency Trade Program Extension Act of 2006, and its companion bill, S. 3904 (Baucus, introduced the same day) seek to extend the GSP program, the Andean Trade preference, and preferential treatment of apparel articles from AGOA countries for two years. The bills also would require hearings in the relevant House and Senate committees on the

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<sup>69</sup> 71 F.R. 45079.

<sup>70</sup> Ibid.

<sup>71</sup> "Schwab Calls for GSP Extension, Signals Openness to Some Changes," *Inside U.S. Trade*, August 4, 2006. The USTR probably referred to a larger number of countries, rather than India and Brazil alone because, in order to be compliant with U.S. obligations under the GATT, the same criteria for graduating countries from the GSP preference must be applied to all countries.

<sup>72</sup> U.S. Trade Representative. "Administration to Review Whether to Continue Trade Benefits under the GSP Program," Press Release, August 7, 2006 [<http://www.ustr.gov>].

<sup>73</sup> "Schwab Calls for GSP Extension, Signals Openness to Some Changes," *Inside U.S. Trade*, August 4, 2006.

future and efficacy of trade preference programs, as well as their compatibility with U.S. WTO obligations.

H.R. 5070 (Rangel, introduced March 30, 2006), the Trade Preference Extension and Expansion Act of 2006, seeks to renew the GSP program for one year (until December 31, 2007) and implement the duty-free quota-free initiative with respect to certain textiles, apparel, and agricultural products.

S. 191 (Smith, introduced January 31, 2005), the Tariff Relief Assistance for Developing Economies (TRADE) Act, and its companion bill H.R. 886 (Kolbe, introduced February 17, 2005) seek to extend AGOA-type benefits to Asian and Pacific least-developed countries. It would, subject to an import sensitivity test by the ITC, include as eligible for duty-free access watches, import-sensitive electronic, steel, and glass articles; footwear; handbags; and luggage; as well as providing duty-free and quota-free benefits for textiles and apparel similar to the benefits provided by AGOA. The 15 countries designated to receive benefits are Afghanistan, Bhutan, Bangladesh, Cambodia, East Timor, Samoa, Solomon Islands, Sri Lanka, Tuvalu, Vanuatu, Yemen, Kiribati, Laos, Maldives, and Nepal.

## Effectiveness of GSP

The statutory goals of the GSP are, in part, to (1) promote the development of developing countries, (2) promote trade, rather than aid, as a more efficient way of promoting economic development, (3) stimulate U.S. exports in developing country markets, and (4) promote trade liberalization in developing countries.<sup>74</sup> It is difficult to assess whether or not the program has achieved these goals, however, because the GSP is only one of many such foreign aid initiatives employed by the United States to assist poorer countries. Economic success within countries is also related to internal factors, such as stability, wise policy decisions, availability of infrastructure to foster industry, and legal/financial frameworks that encourage foreign investment.

What follows, therefore, are general comments, rather than hard data, about the impact of GSP on developing countries, and possible economic effects on the U.S. market. The positions of various stakeholders regarding the value of the program are also discussed.

## Effect on Developing Countries

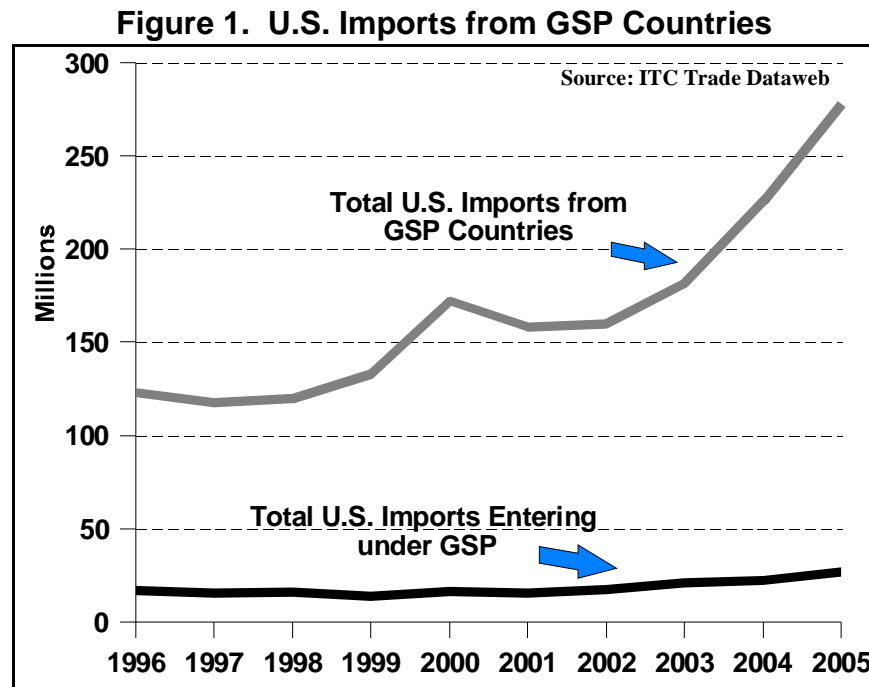
In the last ten years, total U.S. imports from BDCs have increased dramatically, from \$123.2 billion in 1996 to \$278.0 billion in 2005 (see *Figure 1*). This may indicate, in very general terms, that the GSP and other preferential programs have

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<sup>74</sup> Public Law 98-573, section 501(b), 19 U.S.C. 2461 note. Additional factors are to allow for differences in developing countries; help developing countries generate foreign exchange reserves, further integrate developing countries into the international trading system; and encourage developing countries to eliminate trade barriers, guard intellectual property rights, provide worker rights; and address concerns of the United States with regard to adverse affects on U.S. producers and workers and compliance with GATT obligations.

helped create some export-driven growth in developing countries. At the same time, total exports under the preference have remained relatively flat, in part, due to the presence of automatic competitive need limit on products, and mandatory graduation of countries after reaching a certain economic level.

One indicator of the GSP's effects on developing countries is the utilization rate of the preference. At first glance, it seems that only a few beneficiary developing countries use GSP to a great extent; for example, only 21 of the 135 countries that currently qualify for benefits had a value of more than \$100 million in goods entering under GSP (see *Table 6*, p. 31). However, as one study points out, the apparent lack of utilization masks the fact that many GSP-eligible goods may also be imported duty-free under other U.S. preference schemes, such as AGOA. The study estimated that for agricultural commodities eligible for GSP treatment alone, the utilization rate was approximately 58 percent.<sup>75</sup> Therefore, for certain industries in developing countries, the positive impact of the GSP is quite significant.



Many developing countries with a natural competitive advantage in certain products use trade preferences such as the GSP to gain a foothold in the international market. For example, India and Thailand have well-established jewelry industries and Argentina enjoys an advantage in certain leather goods that are imported under the preference. Exporters in these industries have been able to expand their international reach through GSP programs. On the other hand, some countries may be encouraged by preferential programs to develop industry sectors where they will

<sup>75</sup> Organization for Economic Cooperation and Development (OECD). *Agriculture and Food. Preferential Trading Arrangements in Agricultural and Food Markets The Case of the European Union and the United States: United States Preference Schemes*. Volume 2005, No. 1, p. 81.

never be able to compete, thus diverting resources from other industries that might actually become competitive over time (trade diversion).<sup>76</sup> Although the costs of trade diversion are real, empirical evidence suggests that the effects of trade diversion from GSP are small.<sup>77</sup>

The lack of reciprocity in the GSP program could also result in long-term costs for the beneficiary countries. In multilateral trade negotiations, such as the DDA, the requirement for reciprocal tariff reductions means that all parties to the agreement reduce their tariffs. By avoiding reciprocal concessions, however, some developing countries may have tended to keep in place protectionist trade policies that may, in fact, impede their long-term growth. Moreover, these preferences can become an impediment to negotiations as developing countries seek ways of maintaining their preferences from eroding.

From a macroeconomic perspective, most economists prefer multilateral, nondiscriminatory tariff cuts because preferential tariffs under GSP can lead to inefficient production and trade patterns. When tariffs are reduced in a multilateral, rather than preferential, manner, countries tend to produce and export on the basis of their comparative advantage — thus exporting products that they produce relatively efficiently and importing products that others produce relatively efficiently. Multilateral tariff reductions such as those agreed to in the Uruguay Round of GATT, redistribute the benefits of trade liberalization in developing countries. Some exporters benefit because they face reduced tariffs in the industrial countries, while others are hurt because the margin of preference under GSP is reduced.

## Economic Effects on the U.S. Market

Overall effects of the GSP on the U.S. economy are relatively small. Imports under the program in 2005 represented about \$26.7 billion, in comparison to total U.S. imports of \$1.6 trillion — or about 1.6 percent. In addition, the rate of increase of imports entering under GSP in the past ten years is relatively flat (see **Figure 1**), indicating that there may be little impact on the U.S. market as a whole by extending the preference. In federal budgetary terms, the Congressional Budget Office (CBO) estimates that revenue losses through forgone tariff receipts would amount to about \$3.1 billion if GSP were extended from 2007 to 2011.<sup>78</sup>

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<sup>76</sup> OECD. “Making Open Markets Work for Development.” *Policy Brief*, October 2005, p. 2.

<sup>77</sup> Laird, Samuel and Andre Sapir. Tariff Preferences. In Finger, J. Michael and Andrzej Olechowski, eds. *The Uruguay Round: A Handbook on the Multilateral Trade Negotiations*. Washington, World Bank, 1987, p. 105.

<sup>78</sup> Congressional Budget Office. *The Budget and Economic Outlook: Fiscal Years 2007 to 2016*, Table 4.10., “Effects of Extending Tax Provisions Scheduled to Expire Before 2016.” CBO estimates that revenue losses would be \$0.3 billion in FY2006, \$0.6 billion in FY2007 and 0.7 billion in 2008 and 2009. Estimates are based on the assumption that the quantity of imports under the preference will increase over the term, but do not take into account any possible lowering of tariffs or reductions in value of imports.



U.S. producers of import-competing products are largely protected from severe economic impact. First, certain products, such as textiles and apparel, are designated “import sensitive” and therefore ineligible for duty-free treatment. Second, “competitive need limits” (discussed in more detail above) are triggered when imports of a product from a single country reach a specified threshold value or when 50% of total U.S. imports of a product come from a single country.<sup>79</sup> Third, U.S. producers may petition the USTR that GSP treatment granted to eligible articles be withdrawn.<sup>80</sup> The fact that, as illustrated in *Figure 1*, the dollar amount of imports entering under GSP has remained fairly level for at least the past 10 years may also indicate that the GSP has little impact on most domestic producers.

Many U.S. manufacturers and importers benefit from the lower cost of consumer goods and raw materials imported under the GSP program. U.S. demand for certain individual products, such as jewelry, leather, and aluminum, is quite significant.<sup>81</sup> However, it is difficult to gauge, other than anecdotally, the overall impact of the GSP program on the U.S. market when compared to similar imports from other countries that do not receive the preference. It is possible that some merchandise entering under the GSP could be competitive even without the preference, but it is also possible that the duty-free status is the primary factor that makes imports from these countries more attractive.

## Stakeholders’ Concerns

Supporters of the preference include beneficiary developing country governments and exporters, U.S. importers, and some U.S. manufacturers who use inputs entering under GSP in downstream products. Some policymakers favor GSP renewal because they believe it is an important development and foreign policy tool. Those who oppose the program include U.S. producers who manufacture competing products, and some in Congress who favor more reciprocal approaches to trade policy. What follows is a thematic approach to the major topics of discussion in the GSP renewal debate.

**“Special and Differential Treatment.”** Developing countries have long maintained that “special and differential treatment,” such as that provided by the GSP, is an important assurance of access to U.S. and other developed country markets in the midst of increasing globalization.<sup>82</sup> Many of these countries have built industries (or segments of industries) based on receiving certain tariff preferences.

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<sup>79</sup> 19 U.S.C. 2463(c).

<sup>80</sup> 15 C.F.R. 2007.0(b).

<sup>81</sup> In some product categories, imports under GSP account for 25 percent or more of total U.S. imports, including leather (45 percent of all U.S. leather imports), jewelry and jewelry parts (43 percent), ferroalloys (36 percent), copper wire (25 percent), and aluminum (25 percent).

<sup>82</sup> Women in International Trade (WIIT) Event. The Value of Attending a World Trade Organization Ministerial Conference, January 20, 2006.

Those who oppose automatic renewal of GSP have expressed the desire to see some “reciprocity” and “appreciation” on the part of BDCs — in the form of offers of improved market access — in return for renewal of the program.<sup>83</sup> Some of these policy makers favor continued progress in bilateral or multilateral negotiations in lieu of extending automatic, nonreciprocal benefits such as the GSP. Others have also charged some of the more advanced BDCs for obstructing multilateral trade talks, especially in the WTO Doha Round.

Some observers also believe that many members of Congress are becoming more skeptical about the efficacy of any further trade concessions as they hear from constituents about lost jobs and other domestic hardships attributed to global competition.<sup>84</sup> On the other hand, other Members believe that extension and expansion of these programs “will send a signal to developing countries that we will stand with them as they grow.”<sup>85</sup>

**Erosion of Preferential Margins.** Developing countries have expressed concern about the overall progressive erosion<sup>86</sup> of preferential margins as a result of across-the-board tariff negotiations within the context of multilateral trade negotiations such as the Doha Round. In 1997, a study prepared by the Organization for Economic Cooperation and Development (OECD) found that the degree of erosion of preferences resulting from Uruguay Round (1986-1994) tariff concessions by the Quad countries (Canada, European Union, Japan, United States) was indeed significant.<sup>87</sup> Some economists point out that if multilateral rounds of tariff reductions continue, the preference may disappear completely unless GSP tariff headings are expanded to include more “import-sensitive” products.<sup>88</sup>

Other economists say that preference erosion could be more than outweighed by the benefits of increased market access, even for developing countries, brought

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<sup>83</sup> “Sen. Grassley Warns Brazil, India, on GSP; Stops Short of Predicting Graduation,” *Inside U.S. Trade*, May 19, 2006. “Thomas Urges USTR to Shift from Lagging Doha Round to Completing FTAs,” *Inside U.S. Trade*, April 7, 2006.

<sup>84</sup> Washington International Trade Association (WITA) event. “The 2006 Congressional Trade Agenda,” February 15, 2006.

<sup>85</sup> “Rangel Bill Would Extend Trade Benefits for Developing Countries,” Press Release, March 30, 2006.

<sup>86</sup> While overall multilateral preferences may be eroding, the tariff benefits for individual items is still quite significant. For example, the U.S. tariff on flashlights (eligible for duty-free access for all BDCs) is 12.5 percent *ad valorem*. Some GSP-eligible jewelry items have tariffs as high as 13.5 percent.

<sup>87</sup> Organization for International Cooperation and Development. *Market Access for the Least-Developed Countries: Where are the Obstacles?* Published by World Trade Organization, WT/LDC/HL/19\*, October 21, 1997, Table 12, p. 47. The study estimated that in 1997, the loss in the Canadian market was approximately 71 percent, in the EU 26 percent, in Japan 34 percent, and in the United States, 50 percent. (Hereinafter, OECD study).

<sup>88</sup> Sanchez Arnau, p. 282.

about by multilateral trade liberalization.<sup>89</sup> These economists say that, rather than continuing GSP and other preferential programs (either through inertia or concern that removing them would be seen as “acting against” the world’s poorest populations), a better approach might be to “assist them in addressing the constraints that really underlie their sluggish trade and growth performance.”<sup>90</sup>

**Under-Utilization of GSP.** Some who oppose the program say that the proportionately small amount of trade entering under the GSP means that the program is under used, and therefore can be easily eliminated. Some supporters agree that this is especially true for many least-developed country beneficiaries, who historically are not large users of the preference.

Instead of eliminating the program, some in Congress favor graduating some of the more advanced beneficiaries, thinking that this would leave more room for other countries, including LDCs, to take greater advantage of the program.<sup>91</sup> Some U.S. business interests indicate that this would most likely divert trade to China — the most likely source for these goods (based on price and quality) absent GSP eligibility.<sup>92</sup>

Other observers mention that the GSP may not be used by some countries due to unfamiliarity with the program, or because some BDC governments do a poor job of promoting the existence of available opportunities under the preference.<sup>93</sup> Such problems could be addressed through U.S. trade capacity building efforts.

**Trade as Foreign Assistance.** The GSP program is supported by many observers who believe that it is an effective, low-cost means of providing economic help to developing countries. They maintain that encouraging trade by private companies through the GSP stimulates economic development much more effectively than intergovernmental aid and other means of assistance.<sup>94</sup> Economic development assistance through trade is a long-standing element of U.S. policy, and other trade promotion programs such as the AGOA and the Caribbean Basin Trade Partnership Act (CBTPA) are also based on this premise. However, no other U.S. preference program is more broadly based or encompasses as many countries as the GSP.

Additionally, some supporters of the GSP and other non-reciprocal preferences believe that the conditions (such as worker rights, intellectual property requirements, or drug eradication) incumbent on developing countries if they are to qualify for GSP

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<sup>89</sup> Baldwin, R.E. and Murray, T. “MFN Tariff Reductions and Developing Country Trade Benefits Under the GSP,” *Economic Journal* 87:345, March 1977, p. 46.

<sup>90</sup> OECD study, p. 27.

<sup>91</sup> “USTR Considers Withholding Trade Benefits from India, Brazil in Wake of WTO Debacle,” *International Trade Daily*, August 9, 2006.

<sup>92</sup> Comments of various industry representatives, District of Columbia Bar International Section meeting on GSP, September 21, 2006.

<sup>93</sup> GAO Report, p. 61.

<sup>94</sup> Ibid.

status provide the United States with international political leverage that can be used to preserve U.S. foreign and commercial interests.<sup>95</sup>

Many beneficiary countries actively object to these “country practice” provisions and regard them as penalties.<sup>96</sup> Some countries (such as Brazil and India) currently targeted for eligibility review perceive that such action indicates that they are being penalized for advocating for their own national development goals in multilateral talks.<sup>97</sup>

Moreover, intellectual property industry representatives, worker rights groups, and other constituencies in the United States sometimes oppose, in their view, the U.S. administration’s allegedly inconsistent enforcement of these provisions.<sup>98</sup> For example, one lobbying group expressed that they were “shocked and dumbfounded” that the GSP is being annually renewed for such countries as Brazil, Venezuela, and Russia in spite of intellectual property rights violations.<sup>99</sup> Such domestic opposition could, at times, render the presence of such conditions to be of limited usefulness.

**Lower Costs of Imports.** U.S. importers of goods who import components, parts, or materials duty-free under the GSP maintain that the preference results in lower costs for these intermediate goods which, in turn, can be passed on to consumers. In a May 1, 2006 letter to the House Ways and Means and Senate Finance committees, a coalition of importers and retailers warned that if the GSP was allowed to expire, or if its benefits were reduced, it “would impose a costly hardship on not only beneficiary countries but their American customers as well.”<sup>100</sup> Industry representatives mention that smaller domestic manufacturers who regularly import inputs under the preference may be especially affected by a lapse or expiration of the program because they are less able to adjust to the increased costs that would result.<sup>101</sup>

On the other hand, even though most U.S. producers are shielded by the automatic safeguards triggered by increased imports under the GSP, some U.S. manufacturers and workers might be adversely affected by the program because the President is authorized to waive the application of competitive need limits.<sup>102</sup> For example, in 2004, three U.S. producers of titanium complained that the Bush

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<sup>95</sup> The Coalition for GSP. *The U.S. Generalized System of Preferences Program: An Integral Part of the U.S. Economy*. January 1997, p. 3.

<sup>96</sup> GAO Report, p. 100.

<sup>97</sup> September 6, 2006 public comment letter to USTR from ActionAid International USA [<http://www.ustr.gov>].

<sup>98</sup> See GAO Report, Chapter 5, p. 97 ff.

<sup>99</sup> “Grassley Throws up Obstacle to Trade-Preference Renewal.” *Congress Daily*, September 18, 2006.

<sup>100</sup> “U.S. Retailers, Importers Push for GSP Renewal Despite Opposition,” *Inside U.S. Trade*, May 5, 2006.

<sup>101</sup> Discussion with officials of the Joint Industry Group, August 18, 2006.

<sup>102</sup> 19 U.S.C. 2463(c).

Administration refused to terminate duty-free market access for wrought titanium (ordinarily subject to a 15 percent duty assessment), despite a petition asking the government not to waive the import limits. Russian imports of titanium were allowed to continue to enter duty-free under the Presidential waiver even though its sales made up more than 60 percent of U.S. imports.<sup>103</sup>

## Options for Congress

Several options would appear to be available to Congress with respect to the treatment of the GSP program. As explained more fully below, Congress could allow the GSP program to expire on after December 31, 2006, its statutory expiration date, support reciprocal tariff and market access benefits through free trade agreements, renew the GSP for least-developed countries least-developed beneficiaries only, renew the existing program for all beneficiaries without major amendments, or extend the program in a modified form. Although the GSP is a unilateral and non-reciprocal tariff preference, any changes to the program would need to be considered in light of the requirements of the WTO Enabling Clause, as it has been interpreted by the WTO Appellate Body. At a minimum, the United States would need to notify and possibly consult with other WTO Members regarding any withdrawal or modification of GSP benefits, as required by ¶ 4 of the Clause. The United States could also pursue a WTO waiver were any modifications of the GSP program considered not to comport fully with U.S. WTO obligations.

### Allow GSP To Expire

The GSP statute will automatically expire for all beneficiary developing countries on December 31, 2006,<sup>104</sup> except for all beneficiary sub-Saharan African countries for which the preference is authorized through September 30, 2015.<sup>105</sup> No legislative action would be required to pursue this option.

Some believe that non renewal of the GSP, or the threat thereof, might spur positive movement in the WTO Doha Development Agenda. This position has been presented by House Ways and Means Chairman Bill Thomas and Senate Finance Committee Chairman Chuck Grassley.<sup>106</sup> A similar position was also advocated in early 2002 when, while testifying on intellectual property issues, then-USTR Robert B. Zoellick mentioned that “the threat of loss of GSP ... benefits has proven to be an

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<sup>103</sup> “Administration Decides to Keep Russian GSP Benefits for Titanium,” *Inside U.S. Trade*, July 9, 2004.

<sup>104</sup> 19 U.S.C. 2465.

<sup>105</sup> 19 U.S.C. 2466b, as amended by section 7 of the AGOA Acceleration Act of 2004 (P.L. 108-274).

<sup>106</sup> “Thomas Urges USTR to Shift from Lagging Doha Round Completing FTAs,” *Inside U.S. Trade*, April 7, 2006.

effective point of leverage with some of our trading partners.”<sup>107</sup> Since India and Brazil (major recipients of GSP preferences and two of the primary advocates for developing nations in the WTO talks) could face graduation based on the USTR review or congressional amendment, some assert that they might be moved closer to the U.S. position in the negotiations.

On the other hand, non-renewal of GSP could also weaken the hand of U.S. negotiators in the DDA because the program could no longer be used as an incentive for participation in the WTO negotiations. Many developing nations already perceive the United States as generally unwilling to accept multilateral efforts to grant additional “special and differential treatment” for developing country WTO members (an important DDA goal) unless more reciprocal concessions for improved market access are made for U.S. products. As a result, GSP expiration could cause the negotiating positions of developing countries to harden, rather than soften as they seek to make up for these lost preferences in the negotiations.

The United States could also lose substantial leverage in addressing important trade-related foreign policy and economic development concerns that developing nations must accept prior to BDC designation. In addition, because interested parties may currently file petitions for the USTR to review the GSP status of BDCs based on these statutory criteria (e.g. worker rights practices), this avenue of review of country practices would no longer be available.<sup>108</sup>

Some domestic manufacturers, such as the U.S. automobile industry, may be adversely impacted by GSP expiration, at least in the short term, due to dependence on duty-free (thus lower-cost) manufacturing inputs imported under the preference. Smaller businesses could be disproportionately affected because they are less able to adjust to increased costs of factors of production. On the other hand, some U.S. manufacturers of import-competing products might, at least marginally, benefit.

Some BDCs, especially least-developed recipients, could be harmed substantially by GSP expiration. For example, Equatorial Guinea (95% of its exports, especially petroleum products, enter under GSP) and Angola (48% of its exports to the United States enter under GSP), both sub-Saharan African countries not designated recipients under the AGOA preference,<sup>109</sup> are both least-developed GSP beneficiaries. Other Beneficiary Developing Countries and Regions with a significant percentage of U.S. trade entering under the GSP include Yemen (least-developed, 74% of its export to the U.S. enter under GSP), the West Bank (74%), Zimbabwe (64%), Armenia (59%), Paraguay (52%), Mozambique (least-developed, 51%), and Norfolk Island (51%).

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<sup>107</sup> U.S. Senate, Committee on Foreign Relations. “Examining the Theft of American Intellectual Property at Home and Abroad.” Hearing, February 12, 2002, S. Hrg. 107-457

<sup>108</sup> 15 C.F.R. 2007.0(b).

<sup>109</sup> See 66 F.R. 49059.

## Renew Existing GSP Program

Some observers favor renewal of the GSP for all beneficiaries. The Ranking Members of the House Ways and Means and Senate Finance Committees advocate this option and have introduced bills (H.R. 6076 and S. 3904) proposing a two-year extension. An examination of all GSP extensions since its 1975 enactment (see *Table 5*) shows that the provision has never been extended longer than 26 months (P.L. 106-170) without additional amendments. Some favor a short-term extension while Congress holds hearings and otherwise continues to examine the preference.

Others in Congress believe that issues such as the equitable distribution of benefits and the criteria for BDC eligibility are sufficiently important that the GSP program should be examined prior to its extension. Senators Grassley and Chambliss are two of the Members that represent this view.

## Scrap GSP in Favor of Free-Trade Agreements or Regional Trading Arrangements

Some in Congress have suggested that the GSP should be abandoned in favor of free trade agreements (FTAs) or regional trading arrangements (RTAs). These agreements would provide the United States with reciprocal benefits. Such arrangements could provide additional markets for U.S. exports, as well as stimulate the growth of industries in developing-country trading partners. U.S. exporters, as well as importers, could benefit from reciprocal tariff concessions. Since such agreements would most likely apply to many more goods and industries than the existing GSP program, they might increase the likelihood of across-the-board economic stimulation in the developing country trading partner. In addition, absent a favorable conclusion to the DDA negotiations, FTAs and RTAs could also be used as a way to lead countries toward further multilateral trade liberalization.

However, such agreements could actually harm import-competing U.S. manufacturers more than unilateral preferences under the GSP, because automatic safeguards written into the statute, such as competitive need limitations, would no longer apply. Any such agreement could also involve a greater number of tariff concessions, and certain import-sensitive items not eligible for GSP status could also be on the table. On the other hand, some U.S. manufacturers would benefit from the increased market access that an FTA or RTA would provide.

Some developing countries could be put at a greater disadvantage in an FTA or RTA because they might be ill-equipped to implement the additional standards that accompany a comprehensive U.S. FTA agreement<sup>110</sup>. Indeed, some countries such as South Africa and other countries in the South African Customs Union (SACU) have failed to reach FTAs with the United States due to inability to reach these standards. In addition, since the GSP is the largest U.S. preferential trading program (involving more than 130 countries and regions as of August 2006), some developing countries that currently receive GSP benefits could easily be left out of

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<sup>110</sup> Vamvakidis, Ahtanasios. "Regional Trade Agreements or Broad Liberalization: Which Path Leads to Faster Growth?" *IMF Staff Papers*, Vol. 46:1, March 1999, p. 42.

such agreements, either because their markets are of little commercial value to U.S. interests, or because time constraints involved in the negotiating process do not make it worthwhile for U.S. negotiators to include them.

## **Renew GSP Only for Least-Developed Countries**

Some in Congress favor renewing the GSP only with respect to least-developed BDCs. Since many African least-developed BDCs will continue to receive the GSP preference under AGOA, an LDC-only GSP extension would apply only to the following 20 countries: Afghanistan, Angola, Bangladesh, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Comoros, Congo (DROC), Equatorial Guinea, Haiti, Kiribati, Nepal, Samoa, Somalia, Togo, Tuvalu, Vanuatu, and Yemen.

Of these countries, only seven (Afghanistan, Angola, Congo (DROC), Equatorial Guinea, Samoa, Somalia, and Yemen) export goods that account for 10% or more of total U.S. imports under the program. Therefore, if the preference were extended to LDCs only (absent any other modifications), these seven countries, at least initially, would be the primary recipients to benefit.

If Congress chose this option, a smaller benefit (in the form of lower prices for inputs and consumer goods), would be available to U.S. importers and consumers. On the other hand, some U.S. domestic producers would be less affected by competition from imports entering under the preference.

## **Renew and Modify GSP**

Another possible approach for Congress would be to renew, but modify, the Generalized System of Preferences scheme as it applies to all beneficiary developing countries, including least-developed countries.

**Restrict Application of Preference.** The following is a list of possible approaches if Congress desired to extend, but further restrict, imports under the GSP:

- Refine statutory criteria for GSP treatment. For example, make the existing discretionary criteria mandatory requirements.
- Strengthen the requirement that benefits under the preference may (or must) be terminated for non-compliance with mandatory or discretionary criteria. Add additional criteria to include movement toward sustainable development or environmental preservation.
- Reconsider criteria for graduation of countries from GSP, or strengthen the provision that allows graduation of individual industries within beneficiary countries. For example, the President could be required to grant BDC status only if a country (1) complies with all mandatory requirements and (2) has a per-capita income below a certain level.
- Modify the rules of origin requirement for qualifying products to require that a greater percentage of the direct costs of processing



operations (currently 35%)<sup>111</sup> originate in beneficiary developing countries.

- Lower the threshold at which the President may (or must) withdraw, suspend, or limit the application of duty-free treatment of certain products (competitive need limitation).<sup>112</sup>
- Require the President to more frequently and actively monitor (currently an annual process) the economic progress of beneficiary countries, as well as compliance with mandatory and discretionary criteria.
- Weed out countries “unfriendly” to U.S. interests, such as Venezuela, India, and Brazil.

**Expand Application of GSP.** Were Congress to expand or enhance application of the GSP, the following options could be exercised:

- Expand the list of tariff lines permitted duty-free access. Allow some “import sensitive” products (in which developing countries often have a competitive advantage) to receive preferential access.
- Improve rule of origin requirements to provide more predictability. Current rules provide no measurable definition of “substantial transformation,” therefore, U.S. officials often make eligibility decisions on a case-by-case basis; therefore BDCs sometimes have no predictable way of knowing before shipment whether certain foreign components can be included as part of the 35 percent domestic content.<sup>113</sup>
- Eliminate competitive need limitations or raise the thresholds that trigger them.
- Ensure uniform application of country practice requirements, or eliminate them.

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<sup>111</sup> 19 U.S.C. 2463(a)(2)(A)(ii)(II). The statute further specifies that a product may be made in one BDC or any two or more such countries that are members of the same association of countries and are treated as one under section 19 U.S.C. 2467(2). For beneficiary countries under AGOA, this percentage may also include up to 15 percent (as to value) of U.S. origin (19 U.S.C. 2466a(b)(2)).

<sup>112</sup> 19 U.S.C. 2463(c).

<sup>113</sup> GAO Report, p. 55.

## **Conclusion**

Many different competing interests seem to cloud perspectives on the best way to proceed on renewal of the Generalized System of Preference Program. The three major options are to (1) consider automatic renewal of the program, either on a short or long term basis, (2) seek amendments to the program after the Bush Administration's report is received and all legislative proposals are evaluated, and (3) allow the program to expire, perhaps after an agreement to consider renewal next year.

## Appendix

**Table 1. GSP Product Imports from Leading BDCs, 2005**

HTS No.	MFN Tariff Rate	Description	Value of Country Imports under GSP (actual U.S. \$)	Value of Total U.S. Imports (actual U.S. \$)	GSP Country Share of Total U.S. Imports
<b>India</b>					
7113195000	5.5%	Gold or platinum jewelry, whether plated or not, not otherwise specified or indicated (nesoi)	\$1,594,212,535	\$5,820,529,111	27.4%
8708997360	2.5%	Parts for steering systems other than assemblies with a universal joint, of motor vehicles 8701 to 8705	\$62,061,994	\$1,098,906,905	5.7%
7113192900	5.5%	Gold necklaces and chains, nesoi	\$59,676,268	\$947,604,632	6.3%
8409999190	2.5%	Parts, exc conn rods, for compression-ignition internal combustion piston engines for road tractors, motor buses, automobiles, or trucks	\$55,322,659	\$814,644,227	6.8%
7113115000	5.0%	Silver jewelry, articles and pts incl pr mtl pltd silvr val ov \$18 per dozen pieces or parts	\$53,063,273	\$869,768,368	6.1%
<b>Brazil</b>					
8708395050	2.5%	Brakes and servo-brakes, nesoi, of the motor vehicles 8701 to 8705	\$173,646,624	\$2,525,693,996	6.9%
8503009545	3.0%	Parts of generators (other than commutators)	\$119,178,277	\$471,763,363	25.3%
7403110000	1.0%	Refined copper cathodes and sections of cathodes	\$107,809,048	\$3,238,489,287	3.3%
7408116000	3.0%	Refined copper wire with a maximum cross-sectional dimension of over 6mm but not over 9.5mm	\$106,757,090	\$1,369,512,698	7.8%
4412194031	8.0%	Plywood 1 outer ply long leaf/short leaf/southern yellow/slash/pitch/VA pine both outer plys of softwood	\$93,504,843	\$215,508,500	43.4%
<b>Thailand</b>					
7113195000	5.5%	Gold or platinum jewelry, whether plated or not, nesoi	\$590,713,403	\$869,768,368	67.9%
8528122800	3.9%	Reception appar for TV, non-hi def, color, single picture tube, direct view, display exceeding 35.56cm incorporating video record or reproduction apparatus	\$170,286,335	\$476,837,647	35.7%
7113115000	5.0%	Silver jewelry, articles and pts incl pr mtl pltd silvr val ov \$18 per dozen pieces or parts	\$82,155,831	\$869,768,368	9.5%
4011201015	4.0%	New pneumatic tires, of rubber, radial, used on bus/truck, on highway, except light trucks	\$78,906,171	\$1,349,223,229	5.9%
4414000000	3.9%	Wooden frames for paintings, photographs, mirrors, or similar objects	\$66,409,628	\$405,370,252	16.4%

**Source:** CRS calculations based on data from USITC Trade Dataweb [<http://dataweb.usitc.gov>]. See appendix for top five imports from all major GSP beneficiaries (imports of more than \$100 million) in 2005.

**Note:** Imports for consumption, actual U.S. dollars. Tariff rates are *ad valorem* unless otherwise specified.

**Table 2. Leading GSP Beneficiaries and Total, 2005**

<b>Rank</b>	<b>Beneficiary Developing Country</b>	<b>Total Imports (\$ millions)</b>	<b>GSP Duty-Free Imports (\$ millions)</b>
1	India	18,807	4,179
2	Angola	8,484	4,098
3	Brazil	24,437	3,628
4	Thailand	19,892	3,575
5	Indonesia	12,017	1,594
6	Equatorial Guinea	1,562	1,487
7	Turkey	5,177	1,068
8	South Africa	5,865	1,017
9	Philippines	9,248	1,008
10	Venezuela	33,965	745
<b>Imports from Top 10 Beneficiaries</b>		<b>139,454</b>	<b>22,399</b>
<b>Total Imports from all Beneficiaries</b>		<b>278,029</b>	<b>26,747</b>

**Source:** U.S. International Trade Commission Dataweb ([<http://dataweb.usitc.gov>]).

**Table 3. Leading GSP Products in Terms of Value, 2005**

HTS No.	MFN Tariff Range	Description	Value of GSP Imports	Value of Total U.S. Imports	GSP Share of Total Imports (%)
2709	5.25 cents - 10.5 cents per barrel	Petroleum products, crude	\$5,676,744,001	\$137,330,950,177	4.13%
7113	5% - 13.5%	Articles of jewelry and parts thereof	\$3,432,539,826	\$7,966,197,641	43.09%
8708	0% - 2.5%	Automobile and other passenger vehicle parts	\$1,304,001,568	\$40,263,875,773	3.24%
7202	0% - 10%	Ferroalloys	\$668,752,557	\$1,834,158,364	36.46%
4011	0% - 4%	New pneumatic rubber tires	\$629,332,578	\$7,414,981,951	8.49%
7606	2.7% - 6.5%	Aluminum plates, sheets, and strip	\$629,332,578	\$2,568,158,339	24.51%
2905	0% - 5.5%	Acyclic alcohols and derivatives	\$539,396,958	\$2,245,535,285	24.02%
6802	1.9% - 6.5%	Worked monumental or building stone	\$471,457,609	\$2,666,550,863	17.68%
8544	0% - 5.3%	Insulated electrical wire and cable	\$445,645,627	\$10,612,025,120	4.20%
7408	1% - 3%	Copper wire	\$387,934,509	\$1,558,731,998	24.89%
3923	3% - 5.3%	Plastics for storage or packing	\$304,214,039	\$4,376,765,968	6.95%
4418	0% to 4.8%	Builder's joinery and carpentry of wood	\$292,373,755	\$2,691,280,919	10.86%
4107	0% - 5%	Leather of bovine or equine animals	\$290,666,125	\$647,947,394	44.86%
8501	0% - 6.7%	Electric motors and generators	\$289,714,460	\$4,978,011,363	5.82%
4412	0% - 8%	Plywood panels and other veneered wood	\$288,294,294	\$2,299,518,720	12.54%

**Source:** CRS calculations based on data from USITC Trade Dataweb [<http://dataweb.usitc.gov>].

**Note:** Imports for consumption, actual U.S. dollars. Tariff rates are ad valorem unless otherwise specified.

**Table 4. GSP Least-Developed Beneficiary Developing Countries Not Covered by AGOA Preference**

<b>Country</b>	<b>Income Per Capita (2003)</b>	<b>All Imports To United States (2005)</b>	<b>Imports under GSP (2005)</b>	<b>% of Imports under GSP</b>
Afghanistan	NA	\$67,310,191	\$11,487,004	17%
Angola	\$975	\$8,466,134,125	\$4,098,197,449	48%
Bangladesh	\$376	\$2,692,443,030	\$21,442,691	1%
Bhutan	\$797	\$615,516	\$11,050	2%
Burkina Faso	\$345	\$2,084,203	\$122,216	6%
Burundi	\$83	\$4,423,229	\$0	0%
Cambodia	\$315	\$1,767,086,372	\$4,335,692	0%
Cen African Rep	\$309	\$5,696,947	\$0	0%
Comoros	\$538	\$1,444,743	\$0	0%
Congo (DROC)	\$107	\$246,134,201	\$49,841,306	20%
Equatorial Guinea	\$5,900	\$1,561,518,969	\$1,487,456,698	95%
Haiti	\$346	\$447,103,788	\$1,724,979	0%
Kiribati	NA	\$1,104,581	\$0	0%
Nepal	\$237	\$111,064,220	\$3,411,300	3%
Samoa	\$1,505	\$7,937,575	\$3,420,064	43%
Somalia	NA	\$307,638	\$31,312	10%
Togo	\$362	\$6,439,273	\$140,975	2%
Tuvalu	NA	\$56,868	\$0	0%
Vanuatu	\$1,348	\$2,489,141	\$49,564	2%
Yemen	\$565	\$280,388,747	\$207,004,509	74%

**Source:** CRS calculations based on USITC Trade Dataweb ([<http://dataweb.usitc.gov>]).

**Table 5. GSP Implementation and Extensions, 1975-2002**

<b>Public Law</b>	<b>Effective Date</b>	<b>Date Expired</b>	<b>Notes</b>
P.L. 93-618, Title V, Trade Act of 1974	January 2, 1975	January 2, 1985	Statute originally enacted.
P.L. 98-573, Title V, Trade and Tariff Act of 1984	October 30, 1984	July 4, 1993	Substantially amended and restated.
P.L. 103-66, Section 13802 (in Omnibus Budget Reconciliation Act, 1993)	August 10, 1993	September 30, 1994	Extended retroactively from July 5, 1993 to August 10, 1993. Also struck out reference to “Union of Soviet Socialist Republics”
P.L. 103-465, Section 601 Uruguay Round Agreements Act	December 8, 1994	July 31, 1995	Extended retroactively from September 30, 1994 to December 8, 1994. No other amendments to provision.
P.L. 104-188, Subtitle J, section 1952 GSP Renewal Act of 1996 (in Small Business Job Protection Act of 1996)	October 1, 1996 (for GSP renewal only)	May 31, 1997	Substantially amended and restated. Extended retroactively from August 1, 1995 to October 1, 1996.
P.L. 105-34, Subtitle H, section 981 (in Taxpayer Relief Act of 1997)	August 5, 1997	June 30, 1998	Extended retroactively from May 31, 1997 to August 5, 1997. No other amendments to provision.
P.L. 105-277, Subtitle B, section 101 (in Omnibus Consolidated and Emergency Supplemental Appropriations, 1999)	October 21, 1998	June 30, 1999	Extended retroactively from July 1, 1998 to October 21, 1998. No other amendments to provision.
P.L. 106-170, section 508, (in Ticket to Work and Work Incentives Act of 1999)	December 17, 1999	September 30, 2001	Extended retroactively from July 1, 1999 to December 17, 1999. No other amendments to provision.
P.L. 107-210, Division D, Title XLI Trade Act of 2002	August 6, 2002	December 31, 2006	Extended retroactively from September 30, 2001 to August 6, 2002. Amended to (1) include requirement that BDCs take steps to support efforts of United States to combat terrorism and (2) further define the term “internationally recognized worker rights.”

**Table 6. Beneficiary Developing Countries and Regions for  
Purposes of the Generalized System of Preferences**  
(as of August 1, 2006)

<b>Independent Countries</b>		
Afghanistan <sup>+</sup>	Gambia, The <sup>+</sup>	Philippines
Albania	Georgia	Romania
Algeria	Ghana	Russia
Angola <sup>+</sup> <sup>G</sup>	Grenada <sup>E</sup>	Rwanda <sup>+</sup> <sup>G</sup>
Argentina	Guinea <sup>+</sup> <sup>G</sup>	St. Kitts and Nevis <sup>E</sup>
Armenia	Guinea-Bissau <sup>+</sup> <sup>G</sup>	Saint Lucia <sup>E</sup>
Bangladesh <sup>+/</sup>	Guyana <sup>E</sup>	Saint Vincent and the Grenadines <sup>E</sup>
Belize <sup>E</sup>	Haiti <sup>+</sup> <sup>E</sup>	Samoa <sup>+</sup>
Benin <sup>G</sup>	India	Sao Tome and Principe <sup>+</sup> <sup>G</sup>
Bhutan <sup>+</sup>	Indonesia	Senegal <sup>G</sup>
Bolivia <sup>J</sup>	Iraq	Serbia and Montenegro
Bosnia and Hercegovina	Jamaica <sup>E</sup>	Seychelles <sup>G</sup>
Botswana <sup>G</sup>	Jordan	Sierra Leone <sup>+</sup> <sup>G</sup>
Brazil	Kazakhstan	Solomon Islands
Bulgaria	Kenya <sup>G</sup>	Somalia <sup>+</sup>
Burkina Faso <sup>+</sup> <sup>G</sup>	Kiribati <sup>+</sup>	South Africa <sup>G</sup>
Burundi <sup>+</sup> <sup>G</sup>	Kyrgyzstan	Sri Lanka
Cambodia <sup>+</sup>	Lebanon	Suriname
Cameroon <sup>G</sup>	Lesotho <sup>+</sup> <sup>G</sup>	Swaziland <sup>G</sup>
Cape Verde <sup>+</sup> <sup>G</sup>	Liberia <sup>+</sup>	Tanzania <sup>+</sup>
Central African Republic <sup>+</sup>	Macedonia, Former Yugoslav Republic of	Thailand
Chad <sup>+</sup>	Madagascar <sup>+</sup> <sup>G</sup>	Togo <sup>+</sup>
Colombia <sup>J</sup>	Malawi <sup>+</sup> <sup>G</sup>	Tonga
Comoros <sup>+</sup>	Mali <sup>G</sup>	Trinidad and Tobago
Congo (Brazzaville) <sup>G</sup>	Mauritania <sup>+</sup>	Tunisia
Congo (Kinshasa) <sup>+</sup>	Mauritius <sup>G</sup>	Turkey
Costa Rica <sup>E</sup>	Moldova	Tuvalu <sup>+</sup>
Cote d'Ivoire	Mongolia	Uganda <sup>+</sup> <sup>G</sup>
Croatia	Mozambique <sup>+</sup> <sup>G</sup>	Ukraine
Djibouti <sup>+</sup>	Namibia <sup>G</sup>	Uruguay
Dominica <sup>E</sup>	Nepal <sup>+</sup>	Uzbekistan
Dominican Republic <sup>E</sup>	Niger <sup>+</sup> <sup>G</sup>	Vanuatu <sup>+</sup>
Equador <sup>J</sup>	Nigeria <sup>G</sup>	Venezuela
Egypt	Oman	Yemen, Republic of <sup>+</sup>
Equatorial Guinea <sup>+</sup>	Pakistan	Zambia <sup>+</sup> <sup>G</sup>
Eritrea	Panama	Zimbabwe
Ethiopia <sup>+</sup>	Papua New Guinea	
Fiji	Paraguay	
Gabon	Peru <sup>J</sup>	



<b>Non-Independent Countries and Territories</b>		
Anguilla	Heard Island and McDonald Islands	Turks and Caicos Islands
British Indian Ocean Territory	Montserrat <sup>E</sup>	Virgin Islands, British <sup>E</sup>
Christmas Island (Australia)	Niue	Wallis and Futuna
Cocos (Keeling) Islands	Norfolk	West Bank and Gaza Strip
Cook Islands	Pitcairn Islands	Western Sahara
Falkland Islands (Islas Malvinas)	Saint Helena	
Gibraltar	Tokelau	
<b>Associations of Countries (treated as one country)</b>		
<u>Member Countries of the Cartagena Agreement (Andean Group)</u>	<u>Qualifying Member Countries of the Association of South East Asian Nations</u>	<u>Member Countries of the Caribbean Common Market (CARICOM)</u>
Bolivia	Cambodia	Antigua and Barbuda
Colombia	Indonesia	Barbados
Ecuador	Philippines	Belize
Peru	Thailand	Dominica
Venezuela		Grenada
		Guyana
		Jamaica
		Montserrat
		St. Kitts and Nevis
		Saint Lucia
		Saint Vincent and the Grenadines
		Trinidad and Tobago
<u>Member Countries of the West African Economic and Monetary Union</u>	<u>Qualifying Member Countries of the Southern Africa Development Community (SADC)</u>	<u>Qualifying Member Countries of the South Asian Association for Regional Cooperation (SAARC)</u>
Benin	Botswana	Bangladesh
Burkina Faso	Mauritius	Bhutan
Cote d'Ivoire	Tanzania	India
Guinea-Bissau		Pakistan
Mali		Sri Lanka
Niger		
Senegal		
Togo		

**Source:** Harmonized Tariff Schedule of the United States.

<sup>+</sup> GSP - Least-Developed Beneficiary Developing Country

<sup>J</sup> Beneficiary Country of Andean Trade Preference (ATPA)

<sup>E</sup> Beneficiary Country of Caribbean Basin Economic Trade Partnership Act (CBTPA)

<sup>G</sup> Beneficiary Country of African Growth and Opportunity Act (AGOA)

**Table 7. Top Five Imports of Leading GSP Beneficiary Countries**

(Total value of imports under GSP is more than \$100 million)

HTS No.	Tariff (if not imported under GSP)	Description	Value of Imports Under GSP (thousands)	Value of Imports from World (thousands)	GSP Share of World Imports
<b>Angola</b>					
2709002090	10.5 cents per barrel	Crude petroleum testing 25 degrees API or more	\$3,903,759	\$88,895,796	4.39%
2710190530	5.25 cents per barrel	No. 6-type fuel oil under 25 degrees API having Saybolt Universal Viscosity at 37.8 degrees centigrade of more than 125 seconds	\$82,180	\$13,432,207	0.61%
2709001000	5.25 cents per barrel	Crude petroleum testing under 25 degrees API	\$78,486	\$48,435,155	0.16%
2710112500	10.5 cents per barrel	Naphthas, except motor fuel or motor fuel blending stock	\$17,105	\$6,615,774	0.26%
2710190550	5.25 cents per barrel	Fuel oils testing under 25 degrees API having Saybolt Universal Viscosity at 37.8 degrees centigrade of 45 seconds or more but not more than 125 seconds	\$16,641	\$1,973,031	0.84%
<b>Argentina</b>					
4107115000	2.8%	Bovine and equine upholstery leather, full grain unsplit, whole hides and skins further prep after tanning or crusting, except of Hdg 4114	\$49,820	\$247,477	20.13%

## CRS-38

HTS No.	Tariff (if not imported under GSP)	Description	Value of Imports Under GSP (thousands)	Value of Imports from World (thousands)	GSP Share of World Imports
2905112000	5.5%	Methanol (methyl alcohol) not used in production of synthetic fuel or for direct use as a fuel	\$48,188	\$1,376,889	3.50%
1602502040	1.4%	Meat of bovine animals, nesoi, not containing cereals or vegetables, prepared or preserved, in airtight containers holding 1kg or over	\$41,525	\$139,876	29.69%
4107195000	2.8%	Whole upholstery leather of bovines (not buffalo) nesoi and equines nesoi, without hair on, prepared after tanning or crusting, not 4114	\$38,213	\$55,660	68.66%
1704903550	5.6%	Confections or sweetmeats ready for consumption, nesoi, put up for retail sale	\$23,929	\$814,099	2.94%
<b>Brazil</b>					
8708395050	2.5%	Brakes and servo-brakes, nesoi, of the motor vehicles 8701 to 8705	\$173,647	\$2,525,694	6.88%
8503009545	3.0%	Parts of generators (other than commutators)	\$119,178	\$471,763	25.26%
7403110000	1.0%	Refined copper cathodes and sections of cathodes	\$107,809	\$3,238,489	3.33%
7408116000	3.0%	Refined copper wire with a maximum cross-sectional dimension of over 6mm but not over 9.5mm	\$106,757	\$1,369,513	7.80%
4412194031	8.0%	Plywood 1 outer ply long leaf/short leaf/southern yellow/slash/pitch/Va pine both outer plys of	\$93,505	\$215,509	43.39%

## CRS-39

HTS No.	Tariff (if not imported under GSP)	Description	Value of Imports Under GSP (thousands)	Value of Imports from World (thousands)	GSP Share of World Imports
		softwood			
<b>Chad</b>					
2709001000	5.25 cents per barrel	Crude petroleum testing under 25 degrees API	\$108,712	\$48,435,155	0.22%
2710190530	5.25 cents per barrel	No. 6-type fuel oil under 25 degrees API having Saybolt Universal Viscosity at 37.8 degrees centigrade of more than 125 seconds	\$42,600	\$13,432,207	0.32%
<b>Colombia</b>					
3921121950	5.3%	Plates, sheets, film, foil and strip, cellular, of polymers of vinyl chlor, combd w text materials, nesoi	\$28,762	\$73,787	38.98%
1701112000	Between 0.943854 and 1.4606 cents/kg, as determined by temperature	Cane sugar, raw, in solid form, to be used for certain polyhydric alcohols	\$13,174	\$135,929	9.69%
1701111000	Between 0.943854 and 1.4606 cents/kg, as determined by temperature	Cane sugar, raw solid form no added flavoring/coloring matter, nesoi, described in additional US Note 5 (Chap. 17) & Provisional	\$9,120	\$540,448	1.69%

## CRS-40

HTS No.	Tariff (if not imported under GSP)	Description	Value of Imports Under GSP (thousands)	Value of Imports from World (thousands)	GSP Share of World Imports
1703105000	0.01 cents/kg of total sugars	Cane molasses, subject to quota, nesoi	\$8,851	\$87,491	10.12%
6905100000	13.5%	Roofing tiles, ceramic	\$7,660	\$39,413	19.44%
<b>Croatia</b>					
7113192900	5.5%	Gold necklaces and chains, nesoi	\$86,545	\$947,605	9.13%
7113195000	5.5%	Gold or platinum jewelry, whether plated or not, nesoi	\$26,874	\$5,820,529	0.46%
9032100090	1.7%	Thermostats, nesoi	\$7,098	\$525,342	1.35%
8477510090	3.1%	Machinery for molding or otherwise forming inner tubes	\$6,946	\$97,106	7.15%
9032896025	1.7%	Control instruments for air conditioning, refrigeration or heating systems, nesoi	\$6,425	\$353,460	1.82%
<b>Dominican Republic</b>					
3926909880	5.3%	Other articles of plastic, nesoi	\$30,318	\$2,541,833	1.19%
4107125000	2.8%	Bovine and equine upholstery leather, nesoi, grain splits, whole hide and skin, further prep affter tanning or crusting, other than leather of Hdg 4144	\$27,496	\$70,976	38.74%
8301406060	5.7%	Other locks of base metal, nesoi	\$23,789	\$86,935	27.36%
8531800050	1.3%	Other signaling devices, electric, nesoi	\$12,741	\$177,157	7.19%

## CRS-41

HTS No.	Tariff (if not imported under GSP)	Description	Value of Imports Under GSP (thousands)	Value of Imports from World (thousands)	GSP Share of World Imports
8531909000	1.3%	Electric sound/visual sign machinery parts, other	\$11,145	\$336,377	3.31%
<b>Equatorial Guinea</b>					
2709002090	10.5 cents per barrel	Crude petroleum testing 25 degrees API or more	\$888,227	\$85,358,609	1.04%
2709002010	10.5 cents per barrel	Condensate derived wholly from natural gas	\$454,750	\$3,537,187	12.86%
2905112000	5.5%	Methanol (methyl alcohol) not used in production of synthetic fuel or for direct use as a fuel	\$144,445	\$1,376,889	10.49%
1104199000	0.45 cents per kg	Grains, rolled or flaked, of cereals except rice of heading 1006, nesoi	\$28	\$1,286	2.16%
2710114590	10.5 cents per barrel	Light oils and preparations of other hydrocarbon mixtures, nesoi containing not over 50 percent of any single hydrocarbon compound	\$6	\$2,402,986	0.00%
<b>India</b>					
7113195000	5.5%	Gold or platinum jewelry, whether plated or not, nesoi	\$1,594,213	\$5,820,529	27.39%
8708997360	2.5%	Parts for steering systems other than assemblies with a universal joint, of motor vehicles 8701 to 8705	\$62,062	\$1,098,907	5.65%
7113192900	5.5%	Gold necklaces and chains, nesoi	\$59,676	\$947,605	6.30%

## CRS-42

HTS No.	Tariff (if not imported under GSP)	Description	Value of Imports Under GSP (thousands)	Value of Imports from World (thousands)	GSP Share of World Imports
8409999190	2.5%	Parts, exc conn rods, for compression-ignition internal combustion piston engines for road tractors, motor buses, automobiles, or trucks	\$55,323	\$814,644	6.79%
7113115000	5.0%	Silver jewelry, articles and pts incl pr mtl pltd silvr val ov \$18 per dozen pieces or parts	\$53,063	\$869,768	6.10%
<b>Indonesia</b>					
8525408050	2.1%	Camcorders, not 8mm	\$83,627	\$941,452	8.88%
7113195000	5.5%	Gold or platinum jewelry, whether plated or not, nesoi	\$69,926	\$5,820,529	1.20%
7606123090	3.0%	Aluminum plates, sheet or strip, 6.3mm thick or less	\$55,771	\$1,626,848	3.43%
3907600050	6.5%	polyethylene terephthalate, nesoi	\$53,995	\$661,708	8.16%
8506100000	2.7%	Primary batteries, manganese dioxide	\$42,498	\$173,700	24.47%
<b>Kazakhstan</b>					
7202410000	1.9%	Ferrochromium over 4 percent carbon	\$111,337	\$303,317	36.71%
7202500000	10.0%	Ferrosilicon Chromium	\$24,406	\$31,632	77.16%
7403110000	1.0%	Refined copper cathodes and sections of cathodes	\$22,846	\$3,238,489	0.71%
8103200090	2.5%	Tantalum unwrought, including bars and rods obtained simply by sintering	\$12,211	\$24,680	49.4%

## CRS-43

HTS No.	Tariff (if not imported under GSP)	Description	Value of Imports Under GSP (thousands)	Value of Imports from World (thousands)	GSP Share of World Imports
7113195000	5.5%	Gold or platinum jewelry, whether plated or clad or not, nesoi	\$6,118	\$5,820,529	0.11%
<b>Peru</b>					
0904202000	3 cents per kg	Paprika, fruit of the genus capsicum, dried or crushed or ground	\$25,586	\$44,306	57.75%
7801100000	2.5% on the value of lead content	Refined lead, unwrought	\$23,646	\$241,550	9.79%
3307900000	5.4%	Depilatories and other perfumery, cosmetic or toilet preparations, nesoi	\$17,054	\$131,835	12.94%
1701111000	Between 0.943854 and 1.4606 cents/kg, as determined by temperature	Cane sugar, raw solid form no added flavoring/coloring matter, nesoi, described in additional US Note 5 (Chap. 17) & Provisional	\$15,024	\$540,448	2.78%
6802912500	3.7%	Travertine, further worked	\$6,027	\$366,445	1.64%
<b>Philippines</b>					
8544300000	5.0%	Insulated ignition wiring sets and wiring sets for vehicles, aircraft, and boats	\$148,275	\$5,782,030	2.56%
8544519000	2.6%	Conductor: Other > 80 & <= 1000V	\$62,673	\$1,471,688	4.26%
1701111000	Between 1.4606	Cane Sugar, in solid form, not containing flavor or	\$56,386	\$540,448	10.43%



## CRS-44

HTS No.	Tariff (if not imported under GSP)	Description	Value of Imports Under GSP (thousands)	Value of Imports from World (thousands)	GSP Share of World Imports
	and 0.943854 cents per kg	other coloring matter			
8501314000	4.0%	DC motors of an output exceeding 74.6 W but not exceeding 735 W	\$47,220	\$654,983	7.21%
9001500000	2.0%	Spectacle lenses of other materials, unmounted	\$24,798	\$335,148	7.40%
<b>Romania</b>					
7202300000	3.9%	Ferrosilicon manganese	\$51,497	\$231,177	22.28%
7113195000	5.5%	Gold or platinum jewelry, whether plated or not, nesoi	\$30,009	\$5,820,529	0.52%
7606123030	3.0%	Aluminum plates, sheet or strip, thicker than 6.3mm	\$24,262	\$330,370	7.34%
8481803055	5.6%	Gate type taps, cocks, and valves of steel, hand operated	\$23,469	\$234,554	10.01%
7606123090	3.0%	Aluminum plates, sheet or strip, 6.3mm thick or less	\$21,779	\$1,626,848	1.34%
<b>Russia</b>					
7408116000	3.0%	Refined copper wire with a maximum cross-sectional dimension over 6mm but not over 9.5mm	\$207,292	\$1,369,513	15.14%
7606123090	3.0%	Aluminum plates, sheet or strip, 6.3mm thick or less	\$68,607	\$1,626,848	4.22%
7606123030	3.0%	Aluminum plates, sheet or strip, thicker than 6.3mm	\$68,545	\$330,370	20.75%

## CRS-45

HTS No.	Tariff (if not imported under GSP)	Description	Value of Imports Under GSP (thousands)	Value of Imports from World (thousands)	GSP Share of World Imports
2843900000	3.7%	Inorganic or organic compounds of precious metals, whether or not chemically defined; amalgams of precious metals, nesoi	\$49,622	\$89,124	55.68%
7607116000		Aluminum foil not backed rolled not further worked over 0.01 mm but not over 0.15 mm thick	\$30,405	\$142,800	21.29%
<b>Sri Lanka</b>					
4011998500	3.4%	New pneumatic tires, of rubber, nesoi	\$28,681	\$217,895	13.16%
4015191050	3.0%	Gloves, seamless except disposable	\$10,656	\$96,900	11.00%
3802100000	4.8%	Activated carbon	\$9,864	\$78,624	12.55%
4011938000	3.4%	New pneumatic tires (nonradial), of rubber, for construction or industrial handling vehicles and machines, rim size not over 61 cm, nesoi	\$8,191	\$41,997	19.50%
3923210090	3.0%	Sacks and bags (including cones) of polymers of ethylene except reclosable with integral extruded closure, nesoi	\$7,896	\$490,654	1.61%
<b>South Africa</b>					
7202410000	3.9%	Ferrochromium over 4 percent carbon	\$114,815	\$231,177	49.67%
7606123090	3.0%	Aluminum plates, sheet or strip, 6.3mm thick or less	\$101,771	\$1,626,848	6.26%
7202300000	3.9%	Ferrosilicon manganese	\$60,864	\$231,177	26.33%

## CRS-46

HTS No.	Tariff (if not imported under GSP)	Description	Value of Imports Under GSP (thousands)	Value of Imports from World (thousands)	GSP Share of World Imports
2849905000	3.7%	Carbides, whether or not chemically defined	\$56,986	\$63,066	90.36%
2804691000	5.3%	Silicon containing by weight between 99.99 and 99 percent silicon	\$50,578	\$186,635	27.10%
<b>Thailand</b>					
7113195000	5.5%	Gold or platinum jewelry, whether plated or not, nesoi	\$590,713	\$5,820,529	10.15%
8528122800	3.9%	Reception apparatus for TV, non-hi def, color, single picture tube, direct view, display exceeding 35.56cm incorporating video record or reproduction apparatus.	\$170,286	\$476,838	35.71%
7113115000	5.0%	Silver jewelry, articles and pts incl pr mtl pltd silvr val ov \$18 per dozen pieces or parts	\$82,156	\$869,768	9.45%
4011201015	4.0%	New pneumatic tires, of rubber, radial, used on bus/truck, on highway, except light trucks	\$78,906	\$1,349,223	5.85%
4414000000	3.9%	Wooden frames for paintings, photographs, mirrors, or similar objects	\$66,410	\$405,370	16.38%
<b>Turkey</b>					
7113195000	5.5%	Gold or platinum jewelry, whether plated, clad or not, nesoi	\$279,853	\$5,820,529	4.81%
7113192900	5.5%	Gold necklaces and chains, nesoi	\$103,992	\$947,605	10.97%

## CRS-47

HTS No.	Tariff (if not imported under GSP)	Description	Value of Imports Under GSP (thousands)	Value of Imports from World (thousands)	GSP Share of World Imports
7408190000	3.0%	Refined copper wire, with a maximum cross-sectional dimension under 6mm	\$37,421	\$85,502	43.77%
6802911500	4.9%	Marble, other than slabs	\$32,619	\$258,283	12.63%
1509104000	3.4 cents per kg	Olive oil and its fractions, virgin, weighing with the immediate container 18KG or more, not chemically modified	\$31,548	\$150,740	20.93%
<b>Venezuela</b>					
2905112000	5.5%	Methanol (methyl alcohol) not used in production of synthetic fuel or for direct use as a fuel	\$221,247	\$1,376,889	16.07%
2909191400	5.5%	Methyl tertiary-butyl ether	\$111,155	\$861,616	12.90%
8708998080	2.5%	Parts, nesoi, of motor vehicles, nesoi, of heading 8701 to 8705	\$81,417	\$6,194,851	1.31%
8708704545	2.5%	Road wheels, of aluminum, for vehicles, nesoi	\$42,066	\$1,457,852	2.89%
7202215000	1.5%	Ferrosilicon over 55 but not more than 80 percent silicon 3 percent or less calcium	\$36,144	\$174,575	20.70%
<b>Yemen</b>					
2709002090	10.5 cents per barrel	Crude petroleum testing 25 degrees API or more	\$193,972	\$88,895,796	0.22%
2710190550	5.25 cents per	Fuel oils testing under 25 degrees API having	\$9,348	\$1,973,031	0.47%

## CRS-48

HTS No.	Tariff (if not imported under GSP)	Description	Value of Imports Under GSP (thousands)	Value of Imports from World (thousands)	GSP Share of World Imports
	barrel	Saybolt Universal Viscosity at 37.8 degrees centigrade of 45 seconds or more but not more than 125 seconds			
2710112500	10.5 cents per barrel	Naphthas, except motor fuel or motor fuel blending stock	\$3,662	\$6,615,774	0.06%
8481809050	2.0%	Other taps, cocks, valves, etc., nesoi	\$16	\$607,535	0.00%
7113115000	5.0%	Silver jewelry, articles and pts incl pr mtl pltd silvr val ov \$18 per dozen pieces or parts	\$7	\$869,768	0.00%

**Source:** ITC Trade Data Web [<http://dataweb.usitc.gov>] and Harmonized Tariff Schedule of the United States.